



# Foreign Aid: An Introduction to U.S. Programs and Policy

**Curt Tarnoff**

Specialist in Foreign Affairs

**Marian L. Lawson**

Analyst in Foreign Assistance

February 10, 2009

Congressional Research Service

7-5700

[www.crs.gov](http://www.crs.gov)

R40213

**CRS Report for Congress**

*Prepared for Members and Committees of Congress*

Report Documentation Page				Form Approved OMB No. 0704-0188	
Public reporting burden for the collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Washington Headquarters Services, Directorate for Information Operations and Reports, 1215 Jefferson Davis Highway, Suite 1204, Arlington VA 22202-4302. Respondents should be aware that notwithstanding any other provision of law, no person shall be subject to a penalty for failing to comply with a collection of information if it does not display a currently valid OMB control number.					
1. REPORT DATE <b>10 FEB 2009</b>		2. REPORT TYPE		3. DATES COVERED <b>00-00-2009 to 00-00-2009</b>	
4. TITLE AND SUBTITLE <b>Foreign Aid: An Introduction to U.S. Program and Policy</b>				5a. CONTRACT NUMBER	
				5b. GRANT NUMBER	
				5c. PROGRAM ELEMENT NUMBER	
6. AUTHOR(S)				5d. PROJECT NUMBER	
				5e. TASK NUMBER	
				5f. WORK UNIT NUMBER	
7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES) <b>Congressional Research Service, Library of Congress, 101 Independence Ave SE, Washington, DC, 20540-7500</b>				8. PERFORMING ORGANIZATION REPORT NUMBER	
9. SPONSORING/MONITORING AGENCY NAME(S) AND ADDRESS(ES)				10. SPONSOR/MONITOR'S ACRONYM(S)	
				11. SPONSOR/MONITOR'S REPORT NUMBER(S)	
12. DISTRIBUTION/AVAILABILITY STATEMENT <b>Approved for public release; distribution unlimited</b>					
13. SUPPLEMENTARY NOTES					
14. ABSTRACT					
15. SUBJECT TERMS					
16. SECURITY CLASSIFICATION OF:			17. LIMITATION OF ABSTRACT <b>Same as Report (SAR)</b>	18. NUMBER OF PAGES <b>39</b>	19a. NAME OF RESPONSIBLE PERSON
a. REPORT <b>unclassified</b>	b. ABSTRACT <b>unclassified</b>	c. THIS PAGE <b>unclassified</b>			

## Summary

Foreign assistance is a fundamental component of the international affairs budget and is viewed by many as an essential instrument of U.S. foreign policy. The focus of U.S. foreign aid policy has been transformed since the terrorist attacks of September 11, 2001. This report provides an overview of the U.S. foreign aid program, by answering frequently asked questions on the subject.

There are five major categories of foreign assistance: bilateral development aid, economic assistance supporting U.S. political and security goals, humanitarian aid, multilateral economic contributions, and military aid. Due largely to the implementation of two new foreign aid initiatives—the Millennium Challenge Corporation and the HIV/AIDS Initiative—bilateral development assistance has become the largest category of U.S. aid.

In FY2008, the United States provided some form of foreign assistance to about 154 countries. Israel and Egypt placed among the top recipients in FY2008, as they have since the late 1970s, although on-going reconstruction activities in Iraq and Afghanistan now place those nations near the top as well. The impact of the terrorist attacks on September 11, 2001, and the subsequent use of foreign aid to support the war on terrorism are clearly seen in the estimated country-aid levels for FY2008. Pakistan and Jordan are key partners in the war on terrorism and major beneficiaries of U.S. assistance. Also among the leading recipients are some African countries that are the focus of the multi-billion dollar HIV/AIDS initiative.

By nearly all measures, the amount of foreign aid provided by the United States declined for several decades but has grown in the past few years. After hitting an all-time low in the mid-1990s, foreign assistance levels since FY2004, in real terms, have been higher than any period since the early 1950s, largely due to Iraq and Afghanistan reconstruction and HIV/AIDS funding. The 0.19% of U.S. gross national product represented by foreign aid obligations for FY2008 is consistent with recent years, but quite low compared to the early decades of the foreign assistance program. The United States is the largest international economic aid donor in absolute dollar terms but is the smallest contributor among the major donor governments when calculated as a percent of gross national income.

## Contents

Foreign Aid: An Introduction to U.S. Programs and Policy .....	1
Foreign Aid Purposes and Priorities .....	2
What Are the Rationales and Objectives of U.S. Foreign Assistance? .....	2
Rationales for Foreign Aid.....	2
Objectives of Foreign Aid.....	3
What Are the Different Types of Foreign Aid? .....	6
Bilateral Development Assistance .....	7
Economic Aid Supporting U.S. Political and Security Objectives .....	7
Humanitarian Assistance.....	8
Multilateral Assistance.....	9
Military Assistance.....	9
What Are the Funding Priorities and Trends in U.S. Foreign Assistance?.....	10
Trends in Types of U.S. Aid.....	10
Trends in Programs and Sectors of Special Interest.....	12
Which Countries Receive U.S. Foreign Aid?.....	13
Foreign Aid Spending.....	16
How Large Is the U.S. Foreign Assistance Budget and What Have Been the Historical Funding Trends?.....	16
How Does Foreign Aid Compare with Other Federal Programs?.....	19
How Much of Foreign Aid Dollars Are Spent on U.S. Goods? .....	20
How Does the United States Rank as a Donor of Foreign Aid?.....	21
Delivery of Foreign Assistance .....	23
What Executive Branch Agencies Administer Foreign Aid Programs? .....	23
U.S. Agency for International Development.....	23
U.S. Department of State .....	24
U.S. Department of Defense .....	24
U.S. Department of the Treasury .....	25
Millennium Challenge Corporation .....	25
Other Agencies.....	25
What Are the Different Forms in Which Assistance Is Provided? .....	26
Cash Transfers.....	26
Equipment and Commodities.....	26
Economic Infrastructure.....	26
Training.....	27
Expertise .....	27
Small Grants .....	27
How Much Aid Is Provided as Loans and How Much as Grants? What Are Some Types of Loans? Have Loans Been Repaid? Why Is Repayment of Some Loans Forgiven? .....	27
Loan/Grant Composition .....	27
Types of Loans.....	28
Loan Repayment.....	28
Debt Forgiveness .....	28
What Are the Roles of Government and Private Sector in Development and Humanitarian Aid Delivery? .....	29
Congress and Foreign Aid .....	29

What Congressional Committees Oversee Foreign Aid Programs?.....	29
What Are the Major Foreign Aid Legislative Vehicles?.....	30

## **Figures**

Figure 1. Aid Program Composition, FY2008 .....	8
Figure 2. Shifts in Program Emphasis (FY1998-2008).....	11
Figure 3. Top Foreign Aid Recipients, FY1998 .....	14
Figure 4. Top Foreign Aid Recipients, FY2008 .....	14
Figure 5. Regional Distribution of Aid, FY1998.....	15
Figure 6. Regional Distribution of Aid, FY2008.....	15
Figure 7. U.S. Foreign Aid: FY1946-FY2008.....	17
Figure 8. Foreign Aid as % of GDP .....	18
Figure 9. Foreign Aid Funding Trends, FY1977-FY2008.....	19
Figure 10. U.S. Budget Outlays, FY2008 .....	20
Figure 11. Economic Aid From Major Donors, 2007.....	22
Figure 12. Economic Aid as % of GNI for Major Donors, 2007.....	23

## **Tables**

Table 1. Bilateral State/USAID Assistance by Objective: FY2006-FY2008 .....	5
Table 2. Foreign Operation Appropriations, FY1997-FY2008 .....	19
Table A-1. Aid Program Composition, FY2008.....	31
Table A-2. Program Composition, FY1995-FY2008 .....	31
Table A-3. Foreign Aid Funding Trends.....	32

## **Appendixes**

Appendix A. Data Tables.....	31
Appendix B. Common Foreign Assistance Acronyms and Abbreviations .....	34

## **Contacts**

Author Contact Information .....	35
----------------------------------	----

# Foreign Aid: An Introduction to U.S. Programs and Policy

U.S. foreign aid is a fundamental component of the international affairs budget and is viewed by many as an essential instrument of U.S. foreign policy.<sup>1</sup> Each year, it is the subject of extensive congressional debate and legislative and executive branch initiatives, proposing changes in the size, composition, and purpose of the program. The focus of U.S. foreign aid policy has been transformed since the terrorist attacks of September 11, 2001. In 2002, a National Security Strategy for the first time established global development as a third pillar of U.S. national security, along with defense and diplomacy.

This report addresses a number of the more frequently asked queries regarding the U.S. foreign aid program, its objectives, costs, organization, the role of Congress, and how it compares to those of other aid donors. In particular, the discussion attempts not only to present a current snapshot of American foreign assistance, but also to illustrate the extent to which this instrument of U.S. foreign policy has changed from past practices, especially since the end of the Cold War and the launching of the war on terror.

Data presented in the report are the most current, reliable figures available, usually covering the period through FY2008. Dollar amounts are drawn from a variety of sources, including the Office of Management and Budget (OMB), U.S. Agency for International Development (USAID), and from annual State, Foreign Operations and other appropriations acts. As new data become obtainable or additional issues and questions arise, the report will be modified and revised.

Foreign aid acronyms used in this report are listed in **Appendix B**.

---

<sup>1</sup> Other tools of U.S. foreign policy are the U.S. defense establishment, the diplomatic corps, public diplomacy, and trade policy. American defense capabilities, even if not employed, stand as a potential stick that can be wielded to obtain specific objectives. The State Department diplomatic corps are the eyes, ears, and often the negotiating voice of U.S. foreign policymakers. Public diplomacy programs, such as exchanges like the Fulbright program and Radio Free Europe, project an image of the United States that may influence foreign views positively. U.S. trade policy—through free trade agreements and Export-Import Bank credits, for example—may directly affect the economies of other nations. Foreign aid is probably the most flexible tool—it can act as both carrot and stick, and is a means of influencing events, solving specific problems, and projecting U.S. values.

### **A Note on Numbers and Sources**

The numeric measures of foreign assistance used in this report come from a variety of sources. Different sources are necessary for comprehensive analysis, but can often lead to discrepancies from table to table or chart to chart.

One reason for such variation is the different definitions of foreign assistance used by different sources. The Budget of the United States historical tables data on foreign assistance, for example, includes only those programs that fall under the traditional 151 and 152 budget subfunction accounts. This excludes various programs run by federal agencies outside of the traditional State/USAID framework. USAID's U.S. Overseas Loans & Grants database (Greenbook), in contrast, uses a broad and evolving definition of foreign aid which in past years has included mandatory retirement accounts, Departments of Defense and Energy nonproliferation assistance, and other U.S. agency accounts that many would not classify as foreign assistance. Official Development Assistance (ODA), reported by the Organization for Economic Cooperation and Development (OECD), differs from both U.S. Budget and Greenbook numbers because it excludes all military assistance.

Apparent discrepancies also arise due to funding being recorded at different points in the process. U.S. Budget historic tables represent budget authority, funds *appropriated* by fiscal year, whereas the Greenbook reports funds *obligated* by fiscal year. The disparity this creates is apparent when comparing recent aid levels in Figures 7 and 9.

**Figure 9** shows a sharp spike in appropriations in FY2004 for Iraq Reconstruction, but that appropriation was obligated over multiple years, resulting in the much less dramatic rise in FY2004 and FY2005 obligations depicted in **Figure 7**. The reporting calendar may result in discrepancies as well—ODA figures, unlike budget and Greenbook numbers, are reported by calendar year rather than fiscal year.

The differences between sources make precise comparisons difficult. For this reason, CRS has attempted not to mix sources within figures and tables, with the exception of **Table A-3** (on which **Figure 7** is based), which was necessary because no single source exists for data from 1946 through to 2008. Though imperfect, this compilation of data is useful for depicting long-term trends in U.S. foreign assistance levels.

## **Foreign Aid Purposes and Priorities**

### **What Are the Rationales and Objectives of U.S. Foreign Assistance?**

Foreign assistance is predicated on several rationales and supports a great many objectives. Both rationales and objectives have changed over time.

#### **Rationales for Foreign Aid**

Since the start of modern U.S. foreign aid programs, the rationale for such assistance has been posited in terms of national security. From a beginning in rebuilding Europe after World War II under the Marshall Plan (1948-1951), U.S. aid programs reflected anti-communist Cold War tensions that continued through the 1980s. U.S. development assistance programs to newly independent states were viewed by policymakers as a way to prevent the incursion of Soviet influence in Latin America, Southeast Asia, and Africa. Military and economic assistance programs were provided to allies offering U.S. base rights or other support in the anti-Soviet struggle.

In the immediate aftermath of the dissolution of the Soviet Union in 1991, aid programs lost their Cold War underpinnings. Foreign aid programs reflected less of a strategic focus on a global scale and instead responded to regional issues, such as Middle East peace initiatives, the transition to democracy of eastern Europe and republics of the former Soviet Union, and international illicit drug production and trafficking in the Andes. Without an overarching theme, foreign aid budgets decreased in the 1990s. However, since the September 11, 2001, terrorist attacks in the United States, policymakers frequently have cast foreign assistance as a tool in the global war on

terrorism. This has comprised an emphasis on aid to partner states in the terrorism war, including the substantial reconstruction programs in Afghanistan and Iraq. As noted, global development is now accepted, along with defense and diplomacy, as a key element of U.S. national security.<sup>2</sup>

Even during periods when aid programs were framed in the context of anti-communism, and more recently in the context of anti-terrorism, foreign aid programs were justified for other reasons as well, primarily commercial and humanitarian. Foreign assistance has long been defended as a way to either promote U.S. exports by creating new customers for U.S. products or by improving the global economic environment in which U.S. companies compete. At the same time, a strong current has existed that explained U.S. assistance as a moral imperative to help poverty-stricken countries and those trying to overcome disasters or conflict. Providing assistance for humanitarian reasons or in response to natural disasters has generally been the least contested purpose of aid by the American public and policymakers alike.

## **Objectives of Foreign Aid**

The objectives of aid are thought to fit within these rationales. Aid objectives include promoting economic growth and reducing poverty, improving governance, addressing population growth, expanding access to basic education and health care, protecting the environment, promoting stability in conflictive regions, protecting human rights, curbing weapons proliferation, strengthening allies, and addressing drug production and trafficking. The expectation has been that, by meeting these objectives, the United States will achieve its national security goals as well as ensure a global economic environment for American products and demonstrate the humanitarian nature of the U.S. people. Some observers have returned to the view that poverty and lack of opportunity are the underlying causes of political instability and the rise of terrorist organizations, much as poverty was viewed as creating a breeding ground for communist insurgencies in the 1960s, 1970s, and 1980s.

Generally speaking, different types of foreign aid support different objectives. Focusing on any single element of the aid program would produce a different sense of the priority of any particular U.S. objective. But there is also considerable overlap among categories of aid. Multilateral aid serves many of the same objectives as bilateral development assistance, although through different channels. Both military assistance and economic security assistance serve U.S. objectives in the Middle East and South Asia. Drug interdiction activities, backed in some cases with military assistance and alternative development programs, are integrated elements of American counter-narcotics efforts in Latin America and elsewhere.

Depending on how they are designed, individual assistance projects on the ground can also serve multiple purposes. A health project ostensibly directed at alleviating the effects of HIV/AIDS by feeding orphan children may also mobilize local communities and stimulate grassroots democracy and civil society while additionally meeting U.S. humanitarian objectives. Microcredit programs may help develop local economies while at the same time providing food and education to the children of entrepreneurs.

---

<sup>2</sup> Development was again underscored in the Bush Administration's re-statement of the National Security Strategy released on March 16, 2006. Executive Office of the President, *U.S. National Security Strategy 2002 and 2006*, available at [<http://www.whitehouse.gov/nsc/nss/2006>].



In an effort to rationalize the assistance program more clearly, the Director of Foreign Assistance (DFA) at the State Department developed a framework (**Table 1**) in 2006 that organizes U.S. foreign aid—or at least that portion of it that is managed by the State Department and/or USAID—around five strategic objectives, each of which includes a number of program elements, also known as sectors.<sup>3</sup> The five objectives are Peace and Security; Investing in People; Governing Justly and Democratically; Economic Growth; and Humanitarian Assistance. Generally, these objectives and sectors do not correspond to any one particular budget account in appropriations bills.<sup>4</sup>

### *Peace and Security*

The Peace and Security objective is composed of six program areas: counter-terrorism; combating weapons of mass destruction; stabilization operations and security sector reform; counter-narcotics; transnational crime; conflict mitigation and reconciliation. With an elevated level of engagement in the aftermath of 9/11, these types of programs have been emphasized by the Bush Administration as essential to the war on terrorism, and to promote stability in failing states that may become permissive environments for terrorism. For FY2008, the Peace and Security objective was funded at \$7.5 billion. Major portions of these funds were allocated to Israel, Egypt, Afghanistan, Iraq, Pakistan, and Jordan. Were the DFA framework to include all foreign aid, regardless of source, the DOD training and equipping of Iraqi and Afghan security forces would add \$5.8 billion in FY2008 under this objective.

### *Investing in People*

The Investing in People objective is composed of three program areas: health; education; and social services and protection for vulnerable people. For FY2008, the objective was funded at \$8.5 billion. Most of the funding falls in the health program area, particularly the President's Global AIDS Initiative.

Health programs also include funds for combating avian influenza, tuberculosis, and malaria. A significant portion of health funds are provided for maternal and child health, and family planning and reproductive health programs. The objective also includes education programs with the majority of funds focusing on basic education needs, especially in Africa, but increasingly in south and central Asia and the Middle East.

---

<sup>3</sup> The framework, representing about 90% of the traditional foreign aid budget in FY2008 (including supplementals), does not include the Millennium Challenge Corporation, Peace Corps, other independent agencies, and international financial institutions. It also excludes non-traditional foreign aid programs, such as DOD-funded activities. While the framework includes the State Department's HIV/AIDS program, it is not under the direct management responsibility of the DFA.

<sup>4</sup> Most are funded through several accounts. For instance, the objective of Governing Justly and Democratically and each of its individual sectoral elements (see **Table 1**) are funded through portions of the Development Assistance, SEED, FSA, ESF, and INCLE accounts.

**Table 1. Bilateral State/USAID Assistance by Objective: FY2006-FY2008**

(in millions of current dollars)

Aid Objectives and Program Areas	FY2006	FY2007	FY2008
Peace and Security	\$6,817.1	\$8,684.6	\$7,480.3
Counter-Terrorism	\$157.0	\$242.1	\$178.5
Combating WMD	\$229.9	\$228.0	\$247.8
Stabilization/Security Sector Reform	\$5,178.0	\$6,668.6	\$5,579.5
Counter-narcotics	\$1,007.1	\$1,148.1	\$1,125.1
Transnational Crime	\$60.2	\$51.2	\$73.2
Conflict Mitigation	\$184.8	\$346.6	\$276.4
Investing in People	\$4,957.4	\$6,659.4	\$8,522.7
Health	\$2,595.2	\$5,705.1	\$7,277.2
Education	\$689.8	\$754.5	\$928.4
Social Services/Protection of Vulnerable	\$136.9	\$199.7	\$317.0
Governing Justly & Democratically	\$1,233.2	\$2,141.3	\$2,260.4
Rule of Law & Human Rights	\$301.1	\$532.0	\$606.1
Good Governance	\$354.2	\$763.2	\$818.9
Political Competition	\$197.3	\$305.4	\$288.7
Civil Society	\$380.6	\$540.8	\$546.8
Economic Growth	\$2,826.2	\$3,212.2	\$2,920.6
Macroeconomic Growth	\$409.1	\$591.5	\$330.5
Trade & Investment	\$408.7	\$331.6	\$210.9
Financial Sector	\$277.2	\$176.8	\$190.8
Infrastructure	\$414.9	\$723.9	\$850.4
Agriculture	\$562.0	\$538.1	\$487.7
Private Sector Competitiveness	\$350.5	\$385.4	\$358.3
Economic Opportunity	\$111.6	\$127.0	\$167.9
Environment	\$292.1	\$337.8	\$324.0
Humanitarian Assistance	\$1,808.4	\$3,097.4	\$3,157.8
Protection, Assistance & Solutions	\$1,664.1	\$2,963.7	\$3,025.5
Disaster Readiness	\$74.8	\$78.2	\$74.5
Migration Management	\$69.6	\$55.5	\$57.7

**Source:** USAID and Department of State budget documents.**Notes:** Figures include Iraq funding and supplementals, with exception of FY2008 3<sup>rd</sup> supplemental appropriation (P.L. 110-329) of \$465 million in ESF.

### ***Governing Justly and Democratically***

This objective includes a number of program areas related to promoting the rule of law and human rights, good governance, political competition, and civil society. The two largest components for FY2008 were the rule of law and good governance. Some aid experts believe that development is more effective when the recipient government is democratic in nature and respectful of citizens' rights. Program goals include strengthening the performance and accountability of government institutions, such as the judiciary and police, and combating corruption. Funding levels have grown somewhat in recent years; the objective totaled \$2.3 billion in FY2008.

### ***Economic Growth***

The Economic Growth objective, amounting to \$2.9 billion in FY2008, includes a wide range of program areas that are believed to contribute to economic growth in developing economies, including agriculture, the environment, infrastructure, and trade. Agriculture programs focus on science and technology advances that reduce poverty and hunger, trade-promotion opportunities for farmers, and sound environmental management practices for sustainable agriculture. Private sector development programs include support for business associations and microfinance services. Programs for managing natural resources and protecting the global environment focus on conserving biological diversity, improving the management of land, water, and forests, promoting environmentally-sound urban development, encouraging clean and efficient energy production and use, and reducing the threat of global climate change while strengthening sustainable economic growth. Were the DFA framework to encompass all foreign aid, regardless of funding source, the economic growth objective would likely include most of the Millennium Challenge Account, adding perhaps another \$1.5 billion in FY08, and much of the Commander's Emergency Response Program (CERP), the latter funded by DOD at \$1.8 billion in FY08.

### ***Humanitarian Assistance***

Humanitarian assistance responds to both natural and man-made disasters as well as problems resulting from conflict associated with failed or failing states. Responses include protection and assistance to refugees and internally displaced persons and provision of emergency food aid. Programs generally address unanticipated situations and are not integrated into long-term development strategies. In FY2008, humanitarian programs were funded at \$3.2 billion.

## **What Are the Different Types of Foreign Aid?**

The framework introduced by the DFA organizes assistance by foreign policy objective. But there are many other ways to categorize foreign aid. More commonly, Congress and others group traditional foreign aid by five major types of assistance, as illustrated in **Figure 1** below. Each category of assistance is funded by discrete aid accounts in the U.S. budget. There are many such accounts, supporting different aid agencies, offices, and programs. This methodology encompasses all traditional aid, a larger universe than that in the DFA framework.<sup>5</sup> However, as

---

<sup>5</sup> In the U.S. federal budget, all commonly accepted, traditional foreign aid accounts are subsumed under the 150, international affairs, budget function. The Office of Management and Budget (OMB) has designated development and humanitarian assistance as subfunction 151 and security assistance as subfunction 152. Currently, all traditional foreign (continued...)

noted, the Department of Defense and some other government agencies undertake assistance programs with funding outside traditional foreign aid budget accounts. These non-traditional programs are not captured in this discussion.

### **Iraq and Afghanistan Reconstruction Funding**

In recent years, reconstruction assistance to Iraq and Afghanistan has accounted for billions of dollars and has, perhaps, disproportionately shaped the portrait of the U.S. foreign aid program. Aid efforts in both countries have been mostly directed at improving the security capabilities of police and armed forces, at building and rehabilitating infrastructure, promoting governance, and stimulating economic growth.

Reaching a total of \$49 billion in appropriations from all sources in the years FY2003 to FY2009, the U.S. assistance program to Iraq is the largest aid initiative since the 1948-1951 Marshall Plan. Nearly \$21 billion of the total was funneled through an Iraq Relief and Reconstruction Fund in just two fiscal years, FY2003 and FY2004. About \$22 billion has been provided under the DOD budget, not traditionally included in foreign aid totals, and, therefore, unless otherwise noted, not captured in the context of this report. The Afghanistan program to date accounts for about \$11 billion in traditional foreign aid and another \$15 billion in DOD-funded aid.

While traditional foreign aid amounts noted in this report include figures for Iraq and Afghanistan reconstruction, it is important to keep in mind that these aid efforts—running currently at \$2-\$3 billion a year—might overshadow and obscure key trends in changing aid budget and policy priorities for the period FY2002-2009. Therefore, at various points throughout the text, a notation may be made stating what a particular amount would equal if Iraq and/or Afghanistan assistance was excluded.

## **Bilateral Development Assistance**

Development assistance programs are designed chiefly to foster sustainable broad-based economic progress and social stability in developing countries. For FY2008, Congress appropriated \$10.3 billion in such assistance, an amount accounting for nearly 37% of total foreign aid appropriations. A significant proportion of these funds—largely encompassed by the Development Assistance and the Child Survival & Health accounts—is managed by the U.S. Agency for International Development (USAID) and is used for long-term projects in the areas of economic reform and private sector development, democracy promotion, environmental protection, population control, and improvement of human health. Development activities that have gained more prominence in recent years include basic education, water and sanitation, and support for treatment of HIV/AIDS and other infectious diseases. Other bilateral development assistance goes to distinct institutions, such as the Peace Corps, Inter-American Development Foundation, African Development Foundation, Trade and Development Agency, and Millennium Challenge Corporation.

## **Economic Aid Supporting U.S. Political and Security Objectives**

For FY2008, Congress appropriated \$7.8 billion, 27% of total assistance, for five major programs whose primary purpose is to meet special U.S. economic, political, or security interests. The bulk of these funds—\$5.3 billion—was provided through the Economic Support Fund (ESF), designed to advance American strategic goals with economic assistance. ESF funds can be used for development projects, or in other ways, such as cash transfers, to help a recipient country stabilize its economy and service foreign debt. For many years, following the 1979 Camp David accords, most ESF funds went to support the Middle East Peace Process. Since 9/11, ESF has largely

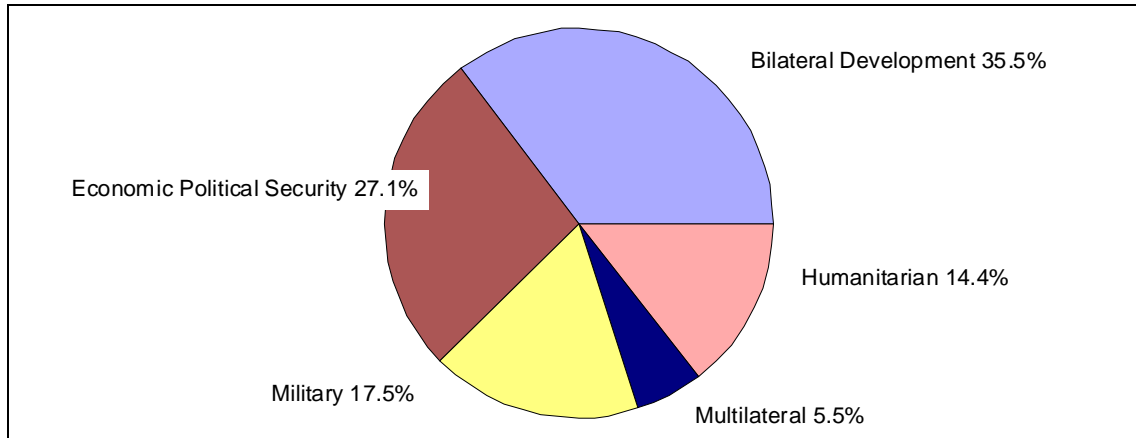
---

(...continued)

aid accounts fall under one of these two subfunctions.

supported countries of importance in the war on terrorism. In FY2008, for example, about \$1.8 billion in ESF was directed at Iraq and Afghanistan alone.

**Figure 1. Aid Program Composition, FY2008**



**Source:** U.S. Department of State, Summary and Highlights, International Affairs, Function 150, FY2009, House and Senate Appropriations Committees, and CRS calculations.

With the demise of the Soviet empire, the United States established two new aid programs to meet particular strategic political interests. The SEED (Support for East European Democracy Act of 1989) and the FREEDOM Support Act (Freedom for Russia and Emerging Eurasian Democracies and Open Markets Support Act of 1992) programs were designed to help Central Europe and the newly independent states of the former Soviet Union (FSA) achieve democratic systems and free market economies. In FY2008, SEED countries were allocated about \$294 million while the FSA countries received \$397 million in appropriated funds (not counting an emergency appropriation at the end of the fiscal year of \$365 million specifically for Georgia). Both accounts have seen decreases as countries graduate from U.S. assistance, from a ten-year high of \$676 million in 2001 for SEED and \$958 million in 2002 for FSA countries.

Especially since 2001, policymakers have given greater weight to several global concerns that are considered threats to U.S. security and well-being—terrorism, illicit narcotics, crime, and weapons proliferation. They have addressed each concern with aid programs that provide a range of law enforcement activities, training, and equipment. In FY2008, the anti-narcotics and crime program accounted for about \$1.3 billion in foreign aid appropriations—about a quarter of which was for an Andean anti-narcotics initiative. Anti-terrorism programs added another \$150 million, and weapons proliferation-related activities, including humanitarian demining, were funded at \$347 million.

## Humanitarian Assistance

For FY2008, Congress appropriated \$4.2 billion, 14.4% of assistance, for humanitarian aid programs.<sup>6</sup> Unlike development assistance programs, which are often viewed as long-term efforts

<sup>6</sup> Because of the unanticipated nature of many disasters, humanitarian aid budget allocations often increase throughout the year as demands arise. Figures listed here include supplemental funds provided at various stages throughout the year as of the end of FY2008.

that may have the effect of preventing future crises from developing, humanitarian aid programs are devoted largely to the immediate alleviation of humanitarian emergencies. A large proportion of humanitarian assistance goes to programs aimed at refugees and internally displaced persons administered by the State Department and funded under the Migration and Refugee Assistance (MRA) and the Emergency Refugee and Migration Assistance (ERMA) accounts. These accounts support, with about \$1.4 billion in FY2008, a number of refugee relief organizations, including the U.N. High Commission for Refugees and the International Committee of the Red Cross. The International Disaster Assistance (IDA) and Transition Initiatives (TI) accounts managed by USAID provide relief, rehabilitation, and reconstruction assistance to victims of man-made and natural disasters, activities totaling \$694 million in FY2008.<sup>7</sup>

Food assistance supplements both programs (about \$2.1 billion in FY2008). The food aid program, generically referred to as P.L. 480 (after the law that authorizes it) or the Food for Peace program, provides U.S. agricultural commodities to developing countries. USAID-administered Title II (of the public law) grant food aid is mostly provided for humanitarian relief, but may also be used for development-oriented purposes by private voluntary organizations (PVOs) or through multilateral organizations, such as the World Food Program. Title II funds are also used to support the “farmer-to-farmer” program which sends hundreds of U.S. volunteers as technical advisors to train farm and food-related groups throughout the world. A new program begun in 2002, the McGovern-Dole International Food for Education and Child Nutrition Program, provides commodities, technical assistance, and financing for school feeding and child nutrition programs (\$100 million in FY2008).<sup>8</sup>

## **Multilateral Assistance**

A relatively small share of U.S. foreign assistance—5.5% in FY2008—is combined with contributions from other donor nations to finance multilateral development projects. For FY2008, Congress appropriated \$1.6 billion for such activities implemented by international organizations, like the United Nations Children’s Fund (UNICEF) and the United Nations Development Program (UNDP), and by multilateral development banks (MDBs), such as the World Bank. On average, U.S. contributions represent about 23% of total donor transfers to the MDBs.

## **Military Assistance**

The United States provides military assistance to U.S. friends and allies to help them acquire U.S. military equipment and training. Congress appropriated \$5.1 billion for military assistance in FY2008, 17.5% of total U.S. foreign aid. There are three main programs, administered by the Department of State, but implemented by DOD. Foreign Military Financing (FMF), \$4.7 billion in FY2008, is a grant program that enables governments to receive equipment from the U.S. government or to access equipment directly through U.S. commercial channels. Most FMF grants support the security needs of Israel and Egypt. The International Military Education and Training program (IMET), \$85 million, offers military training on a grant basis to foreign military officers and personnel. Peacekeeping funds, \$261 million in FY2008, are used to support voluntary non-U.N. operations as well as training for an African crisis response force. As noted earlier, since

---

<sup>7</sup> The IDA account was previously known as the International Disaster and Famine Assistance account (IDFA).

<sup>8</sup> Until FY1998, food provided commercially under long-term, low interest loan terms (Title I of P.L. 480) was also included in the foreign assistance account. Because of its increasing export focus, it is no longer considered foreign aid.

2002, DOD appropriations, not included in counts of traditional foreign aid, have supported FMF and IMET-like programs in Afghanistan and Iraq at a level of nearly \$6 billion in FY2008.

## **What Are the Funding Priorities and Trends in U.S. Foreign Assistance?**

Tracking changes in the amount of funds distributed to each objective, sector, type of assistance, or funding account is one means of measuring the relative priority placed by the executive branch on any of the aid activities represented by that category of assistance. Because Congress closely examines the executive's distribution of bilateral economic resources and in a number of cases modifies the President's proposed budget plan, funding trends also characterize congressional aid priorities and areas of special concern.<sup>9</sup>

### **Trends in Types of U.S. Aid**

As shown in **Figure 2** (and **Table A-2**), there have been shifts in the use of different types of U.S. assistance in response to world events and changing priorities. Funding a Middle East peace supplemental, the Andean Counter-narcotics Initiative and economic support for countries assisting U.S. efforts in the war on terrorism pushed strategic-oriented economic aid from a 26% share in FY1995 to an average 33% share from FY1997 through FY2002. The injection of significant assistance to Iraq raised political-strategic assistance to 50% in FY2004.<sup>10</sup> Excluding the anomaly of Iraq, however, would lower the proportion of political-strategic aid to 29% in FY2004. Even with Iraq funding included in the following years, this grouping of aid drops to about 29% in the period FY2005 through FY2007, reflecting somewhat the impact of a continuing ten-year plan to reduce economic aid to Israel and Egypt, and, except in the case of Afghanistan, less robust aid for partner states in the war on terrorism. The growth of development-related aid in this period also diminished the relative proportion of other forms of assistance. The proportion of total aid represented by political-strategic assistance in FY2008 was 27%.

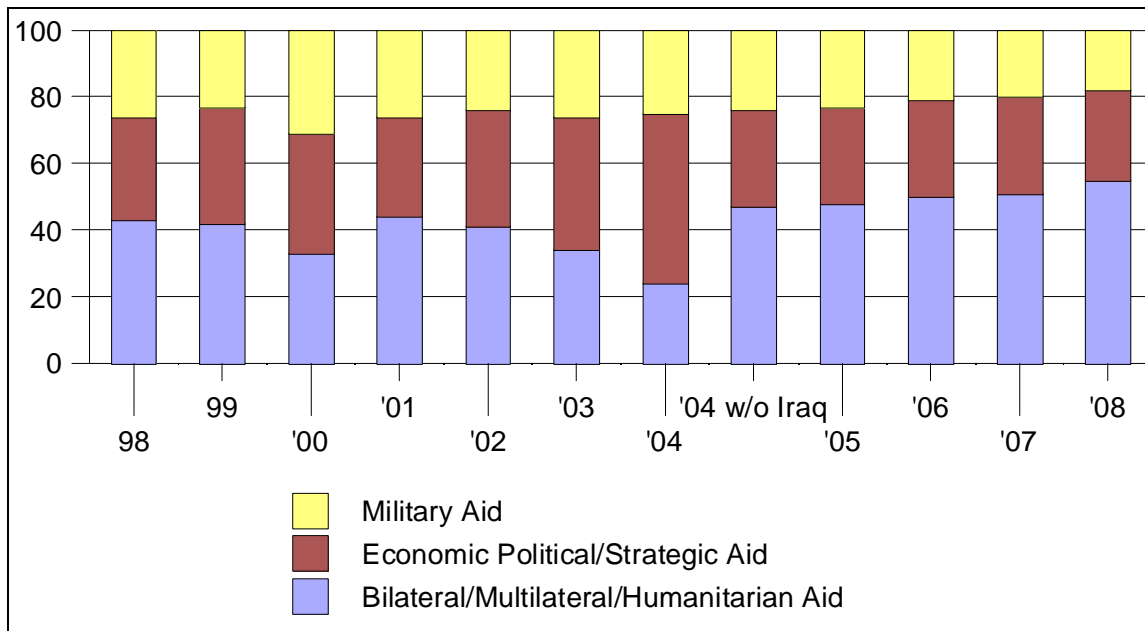
---

<sup>9</sup> It is important to note that the amount of resources allocated to any single development sector relative to other sectors in any given year is not necessarily a good measure of the priority assigned to that sector. Different types of development activities require varying amounts of funding to have impact and achieve the desired goals. Democracy and governance programs, for example, are generally low-cost interventions that include extensive training sessions for government officials, the media, and other elements of civil society. Economic growth programs, on the other hand, might include infrastructure development, government budget support, or commodity import financing, activities that require significantly higher resources. What may be a better indicator of changing priorities is to compare funding allocations over time to the same objective or sector.

<sup>10</sup> Of the \$18.4 billion provided in FY04 for Iraq from the IRRF, \$5 billion was utilized in the same way as military assistance and delegated to DOD for implementation. The remainder was used in ways similar to ESF and, therefore, is considered political-strategic assistance for purposes of this analysis.

**Figure 2. Shifts in Program Emphasis (FY1998-2008)**

(as % of total U.S. foreign assistance)



**Source:** U.S. Department of State and CRS calculations.

**Notes:** To illustrate the impact of Iraq funding on the aid program, the column "FY04 without Iraq" excludes \$18.4 billion in Iraq Relief and Reconstruction Fund (IRRF) aid.

For more than two decades, military assistance as a share of total aid obligations has declined, a trend that began after military aid peaked at 42% in FY1984. Despite increases in other forms of assistance in the period from 1998 through FY2004, military aid hovered in the 25% range as the United States provided additional security support to many of the partner states in the war on terrorism and other countries that might face new external threats due to the pending conflict in Iraq. From FY2005, however, its share continued to fall, largely due to the rise in prominence of the development assistance category. In FY2008, military assistance represented less than 18% of total aid. However, as discussed in a later section, foreign assistance provided by the Department of Defense, and not counted in estimates of traditional foreign aid, has been increasing with operations in Iraq and Afghanistan, with new authority to train and equip foreign militaries, and with anti-narcotics activities in Latin America and Afghanistan.

Perhaps the most striking trend in this period has been the growth in development-related assistance, including humanitarian aid, food aid, and contributions to multilateral institutions. Development-related aid rose steadily from a 38% share in FY1990 to nearly 48% by FY1995. The growth of more politically driven economic programs in central Europe and the former Soviet Union, plus sizable cuts to development aid in FY1996/1997 and increased emphasis on security assistance following the September 11 terrorist attacks, drove the share down to an average of 41% during the late 1990s through FY2002. If Iraq funding were excluded in FY2004, the proportion of development aid would jump to 47%, rather than the deep decline to 25% if Iraq is included. With the approval of significant amounts of funding for two new presidential aid priorities, the Millennium Challenge Corporation and the HIV/AIDS Initiative, development assistance grew to represent over half of total U.S. foreign aid by FY2005, the highest proportion in more than twenty years. This share has since continued to increase, reaching 55% in FY2008.



## **Trends in Programs and Sectors of Special Interest**

There are multiple ways to define and categorize U.S. foreign assistance programs. At various times, congressional and public attention centers on one or another slice of the aid effort. For instance, the large community of non-governmental organizations (NGOs) working on international sustainable development activities most often concerns itself with what it calls “core development accounts,” usually defined as including the USAID Child Survival and Health, USAID Development Assistance, Millennium Challenge, and HIV/AIDS accounts. Collectively, these have grown exponentially over the ten year period from 1998 to 2008, from \$1.9 billion to \$9.6 billion, largely due to the launching of the HIV/AIDS and MCA programs.

One of the most striking changes in the distribution of economic aid resources in recent years has been the sharp growth in funding for health programs, especially in the area of HIV/AIDS and other infectious diseases (see **Table 1**). In 2004, the Bush Administration launched a five-year Global AIDS Initiative, the President’s Emergency Plan for AIDS Relief (PEPFAR), with the goal of treating two million HIV-infected individuals, and caring for ten million infected people and AIDS orphans that eventually provided over \$18 billion. The program was re-authorized in 2008 (P.L. 110-293) at \$48 billion for FY2009 through FY2013 to support prevention and treatment of HIV/AIDS, malaria, and tuberculosis. Spending on non-AIDS infectious diseases has increased by 400% since FY2001. Funding has also risen notably for Child Survival and Maternal Health projects that aim to reduce infant mortality, combat malnutrition, improve the quality of child delivery facilities, and raise nutritional levels of mothers. Funding for these activities has grown by 45% in the past seven years.

Public support and congressional and Administration action often raise the priority given to specific sectors or programs. In recent years, high profile programs include support for microenterprise, basic education, clean water and sanitation. For each of these specific interests, funding has been boosted by Congress in the form of legislative directives or earmarks in the annual foreign aid appropriations legislation. Funding for microenterprise, for instance, went from \$58 million in FY1988 to \$111 million in FY1996 and \$216 million in FY2006. Congress mandated a level of \$245 million for microenterprise assistance in FY2008. Basic education programs were funded at about \$95 million in FY1997; they were set at \$700 million in FY2008. Funding for water and sanitation projects was not closely tracked ten years ago; the directed level for FY2008 was \$300 million.

Some sectors once strongly favored by Congress and the executive branch have lost out in the funding competition in recent decades. Agriculture programs have seen significant decreases since the 1970s and 1980s when they represented the bulk of U.S. development assistance. In FY1984, for instance, agriculture and rural development received an appropriation of \$725 million from the development assistance account, compared to \$315 million in FY1998 and \$413 million in FY2008 from all USAID/State accounts. Programs managing natural resources and protecting the global environment fell from \$504 million in FY2002 to \$324 million in FY2008. The rapid rise in HIV/AIDS funding overshadows to some extent reductions for other health sectors. Spending on family planning and reproductive health programs has been flat during the past 15 years, with the FY2008 level of \$457 million only slightly higher than the 15-year average of \$444 million.

## Which Countries Receive U.S. Foreign Aid?

In FY2008, the United States is providing some form of foreign assistance to about 154 countries. **Figure 3** and **Figure 4** identify the top 15 recipients of U.S. foreign assistance for FY1998 and FY2008, respectively.<sup>11</sup> Assistance, although provided to many nations, is concentrated heavily in certain countries, reflecting the priorities and interests of United States foreign policy at the time.

As shown in the figures below, there are both similarities and sharp differences among country aid recipients for the two periods. The most consistent thread connecting the top aid recipients over the past decade has been continuing U.S. support for peace in the Middle East, with large programs maintained for Israel and Egypt and a relatively smaller program for West Bank/Gaza. The commitment to Latin America counter-narcotics efforts is also evident in both periods, with Peru and Bolivia appearing in FY1998 and Colombia and Mexico among the top U.S. aid recipients a decade later. Assisting countries emerging from conflict, usually under more temporary circumstances, is another constant aspect of U.S. foreign aid. Haiti and Bosnia, leading recipients in FY1998, have been replaced currently by Sudan, Afghanistan, and Iraq.

But there are also significant contrasts in the leading aid recipients since FY1998. The impact of the terrorist attacks on September 11, 2001, and the subsequent use of foreign aid to support other nations threatened by terrorism or helping the U.S. combat the global threat is clearly seen in the country aid allocations for FY2008. Afghanistan, Pakistan, and Jordan, none of which was a top recipient in FY1998, are key partners in the war on terrorism.

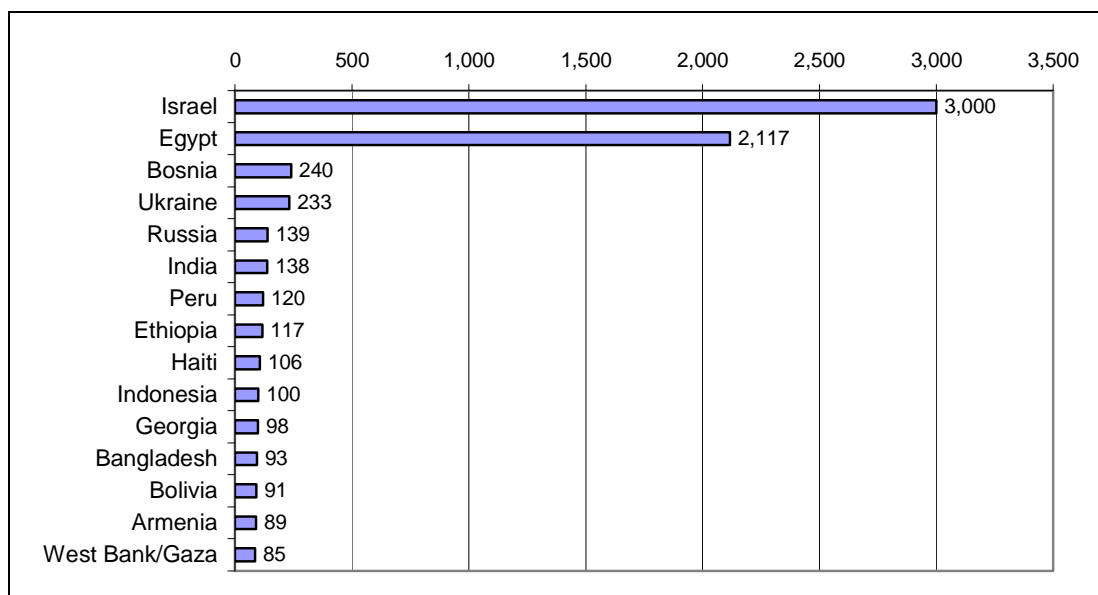
Another relatively new feature of American assistance—the emphasis on HIV/AIDS programs—is evident in FY2008 aid figures with Ethiopia, Kenya, Nigeria, and South Africa among the top recipients, largely due to their selection as focus countries for the Bush Administration’s HIV/AIDS Initiative. A further shift concerns the former Soviet states in which the United States invested large sums to assist in their transitions to democratic societies and market-oriented economies. In FY1998, Ukraine, Armenia, Georgia, and Russia were among the top fifteen U.S. aid recipients. By FY2008, only Georgia remains because of a U.S. reconstruction initiative following Georgia’s recent conflict with Russia.

---

<sup>11</sup> FY2008 is the latest year for which reliable data is available, and includes supplemental funds that largely went for activities in Iraq, Afghanistan, and Georgia. Figures do not include Millennium Challenge Corporation Compacts as MCC appropriations are not broken out by recipient country until they are obligated, a one-time event for each country and on a scale that would distort the aid picture in any given year.

**Figure 3. Top Foreign Aid Recipients, FY1998**

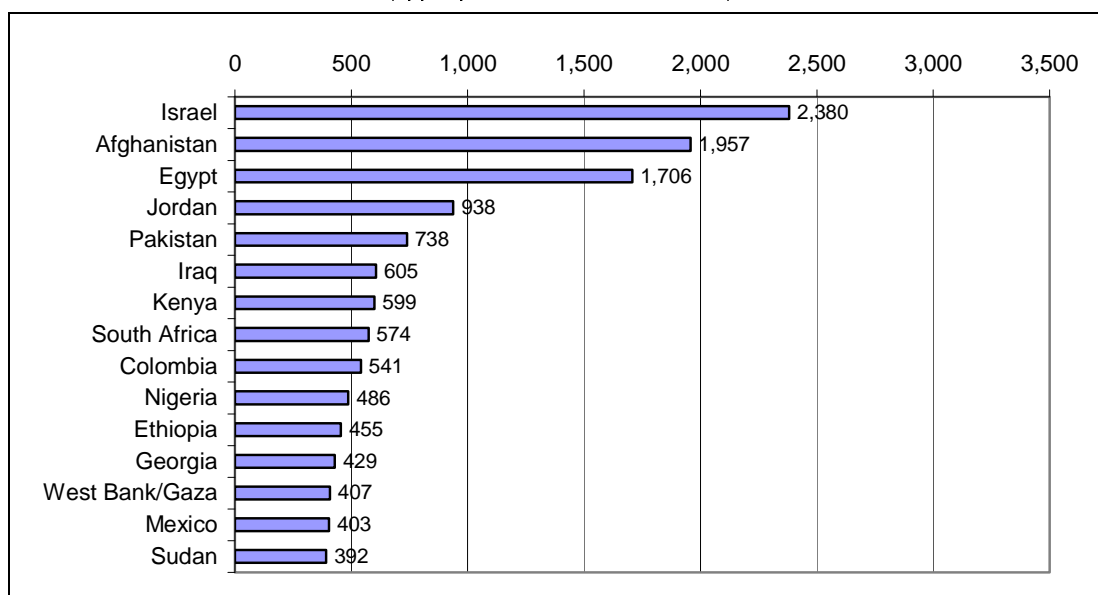
(appropriations in millions, US\$)



Source: USAID and Department of State.

**Figure 4. Top Foreign Aid Recipients, FY2008**

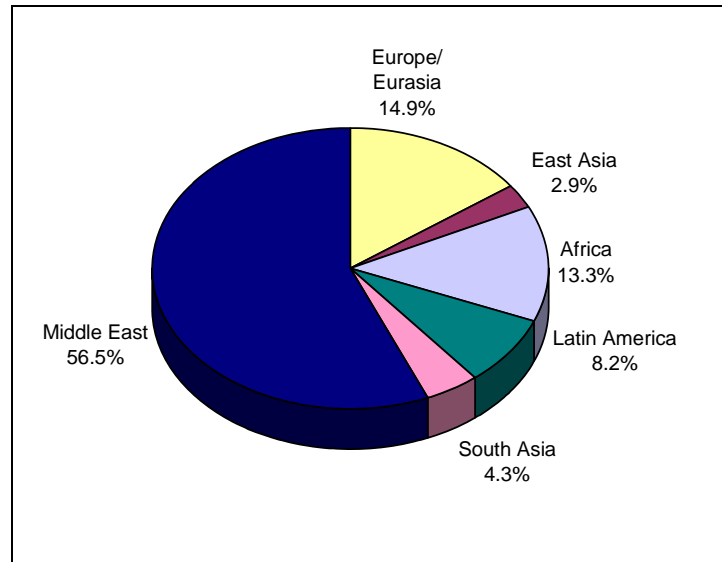
(appropriations in millions, US\$)



Source: USAID and State Department.

Finally, a striking feature of the more recent aid recipients is the robust level of assistance provided to those below the top-ranked two or three countries. Ten years previously, the gap between the second and third recipients, Egypt and Bosnia, was nearly \$2 billion. In FY2008, the gap between the second and fourth recipients, Afghanistan and Jordan, was less than \$1 billion, and, on average, the bottom dozen recipients received more than four times what their counterparts received in FY1998.

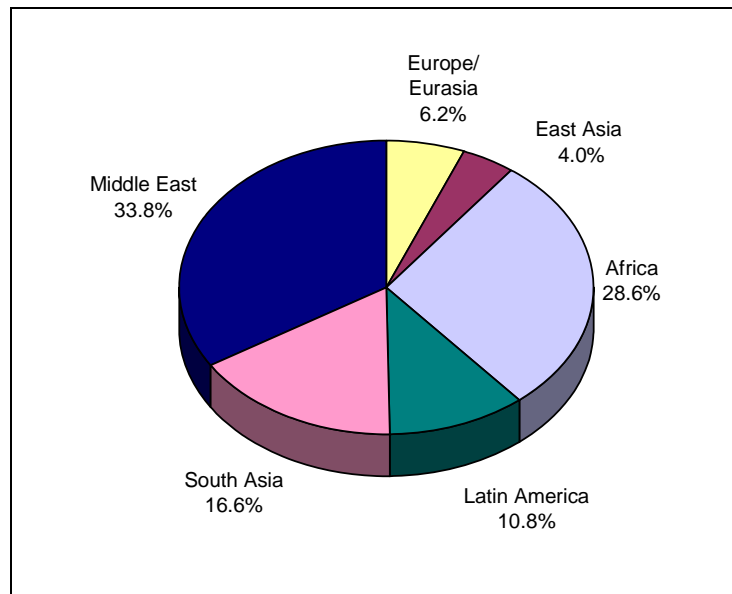
**Figure 5. Regional Distribution of Aid, FY1998**



**Source:** USAID and Department of State.

**Note:** Based on appropriated levels. Figures include supplemental appropriations and Iraq.

**Figure 6. Regional Distribution of Aid, FY2008**



**Source:** USAID and Department of State.

**Note:** Based on appropriated levels. Figures include supplemental appropriations and Iraq.

On a regional basis (**Figure 5** and **Figure 6**), the Middle East has for many years received the bulk of U.S. foreign assistance. With economic aid to the region's top two recipients, Israel and Egypt, declining since the late 1990s and overall increases in other areas, however, the share of bilateral U.S. assistance consumed by the Middle East fell from nearly 57% in FY1998 to nearly 34% by FY2008.

Since September 11, 2001, South Asia has emerged as a significant recipient of U.S. assistance, rising from a 4% share ten years ago to about 17% in FY2008, largely because of aid to Afghanistan and Pakistan. Similarly, the share represented by African nations has increased from a little more than 13% to nearly 29% in 2008, largely due to the HIV/AIDS Initiative, that funnels resources mostly to African countries. Latin America, despite a renewed effort to deter illicit narcotics production and trafficking with large aid programs, is a region where the proportion of total U.S. assistance has remained level. With the graduation of several East European aid recipients in recent years and the phasing down of programs in Russia, Ukraine, and other former Soviet states, the Europe/Eurasia regional share has fallen significantly. The proportion of assistance provided to East Asia grew in the past decade, but the region remains the smallest area of concentration, accounting for 4% of U.S. foreign aid in FY2008.

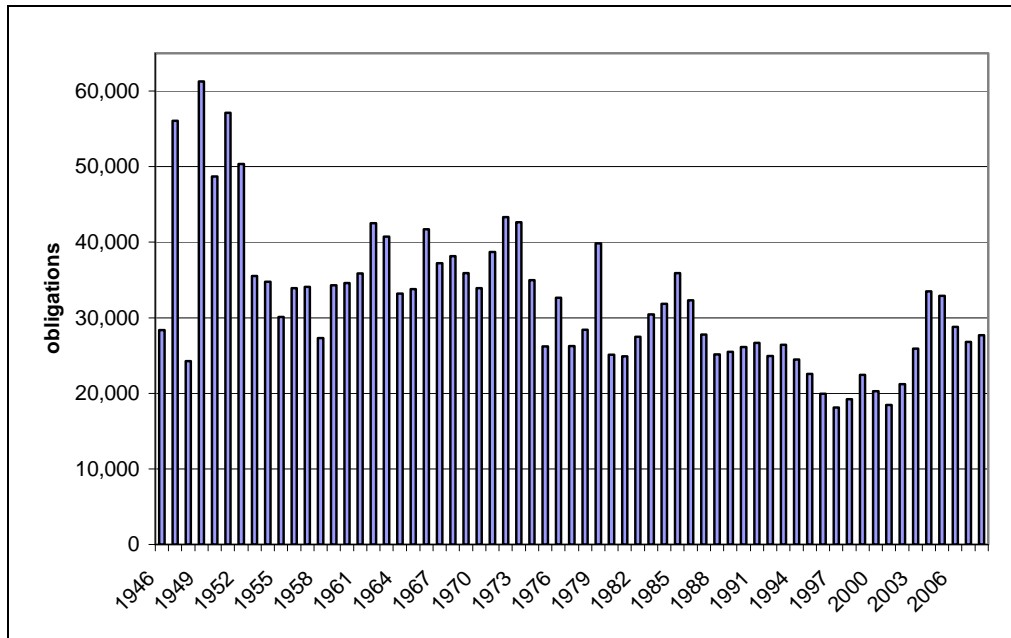
## Foreign Aid Spending

### How Large Is the U.S. Foreign Assistance Budget and What Have Been the Historical Funding Trends?

There are several methods commonly used for measuring the amount of federal spending on foreign assistance. Amounts can be expressed in terms of budget authority (funds appropriated by Congress), outlays (money actually spent), as a percent of the total federal budget, as a percent of total discretionary budget authority (funds that Congress directly controls, excluding mandatory and entitlement programs), or as a percentage of the gross domestic product (GDP) (for an indication of the national wealth allocated to foreign aid).

By nearly all of these measures, some of which are illustrated in **Figure 7** and **Figure 8**, foreign aid resources fell steadily over several decades since the historical high levels of the late 1940s and early 1950s. This downward trend was sporadically interrupted, with spikes in the 1960s and early 1970s, 1979, and the mid-1980s, largely due to major foreign policy initiatives such as the Alliance for Progress for Latin America in 1961 and the infusion of funds to implement the Camp David Middle East Peace Accords in 1979. The lowest point in U.S. foreign aid spending came in 1997 when foreign operations appropriations fell near \$18 billion (in constant dollar terms) and represented roughly 29% of the peak foreign aid committed during the Marshall Plan period.

**Figure 7. U.S. Foreign Aid: FY1946-FY2008**  
(obligations, in millions of constant 2008 US\$)

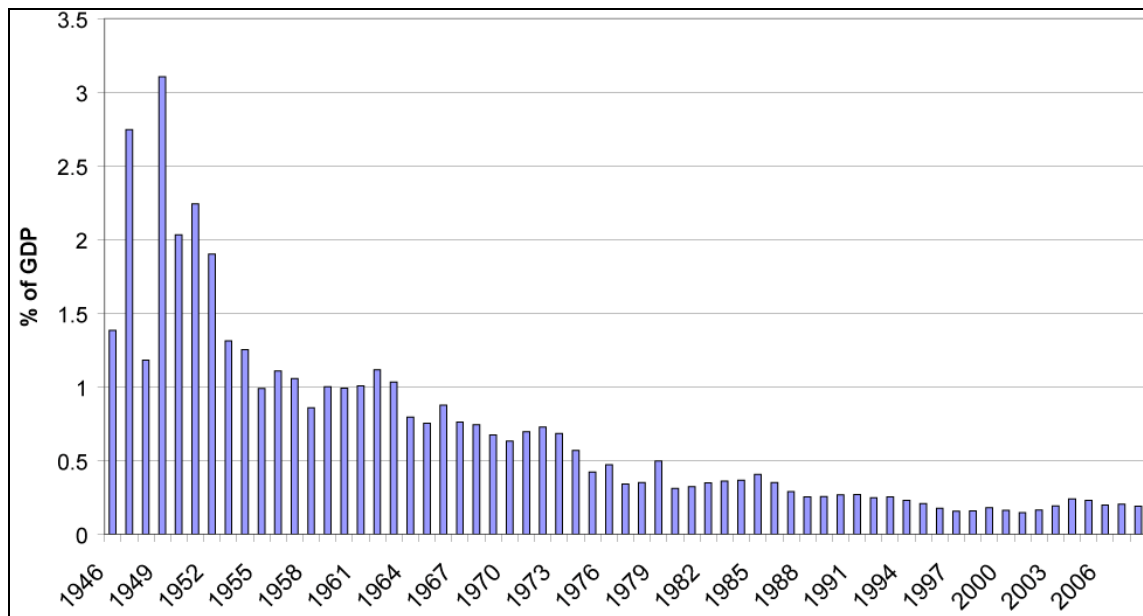


**Source:** U.S. Overseas Loans and Grants (Greenbook) July 1, 1945-September 30, 2006; House and Senate appropriations legislation; CRS calculations.

**Notes:** This figure is based in the data from **Table A-3**. See the notes following **Table A-3** for an explanation of the methodology used.

Following the September 11 terrorist attacks, foreign aid became a key instrument in fighting the global war on terrorism and contributing to the reconstruction of Afghanistan and Iraq. See **Figure 9** at the end of this section for a more detailed snapshot of foreign aid funding trends and related foreign policy events.

As a percent of gross domestic product, prior to the mid-1960s, in most years foreign aid represented over 1%. Following the Vietnam War, foreign assistance as a percent of GDP ranged between 0.5% and 0.25% for the next 20 years. The program's share of GDP dropped to its lowest level ever in FY2001 (0.15%), but has risen somewhat in recent years, averaging about 0.20% between FY2006 and FY2008 (**Figure 8**).

**Figure 8. Foreign Aid as % of GDP**

**Source:** Greenbook, U.S. Department of Commerce, CRS calculations.

Congress appropriates most foreign aid money through annual State-Foreign Operations appropriations bill. That legislation represents the most direct congressional action on foreign assistance spending decisions, although small but growing amounts of foreign aid are funded in other legislation.<sup>12</sup> Like other measures of foreign assistance programs, State-Foreign Operations appropriations declined in the mid-1990s to near \$16 billion in 2008 dollars, the lowest level during the past decade in real terms (**Table 2**). Appropriated amounts rose beginning in FY1998 and averaged about \$19 billion in constant dollars through the next four years. The combination of additional funding for the war on terrorism, Afghanistan reconstruction, and new foreign aid initiatives focused on HIV/AIDS and the Millennium Challenge Corporation, have pushed average annual Foreign Operations appropriations well above \$20 billion consistently since FY2003. Including Iraq funding, FY2004 was the largest Foreign Operations appropriations level, in real terms, in at least 30 years.<sup>13</sup>

<sup>12</sup> Most notably, food aid and certain Department of Defense aid programs are not appropriated in the Foreign Operations measure, while the Export-Import Bank, an activity not considered “foreign aid,” is funded in the Foreign Operations annual bill.

<sup>13</sup> Due to changes over time in appropriation “scoring,” calculating historic Foreign Operations appropriations that are precisely equivalent to the methodology used currently is virtually impossible. This is especially true since Congress altered, beginning in FY1992, the methodology for “scoring” credit programs. The 30-year estimate noted here compares the FY2004 appropriation level of \$44.0 billion (in FY2008 dollars) with total foreign aid obligations of about \$40 billion (real terms) in the early 1970s.

**Table 2. Foreign Operation Appropriations, FY1997-FY2008**

(in billions of dollars)

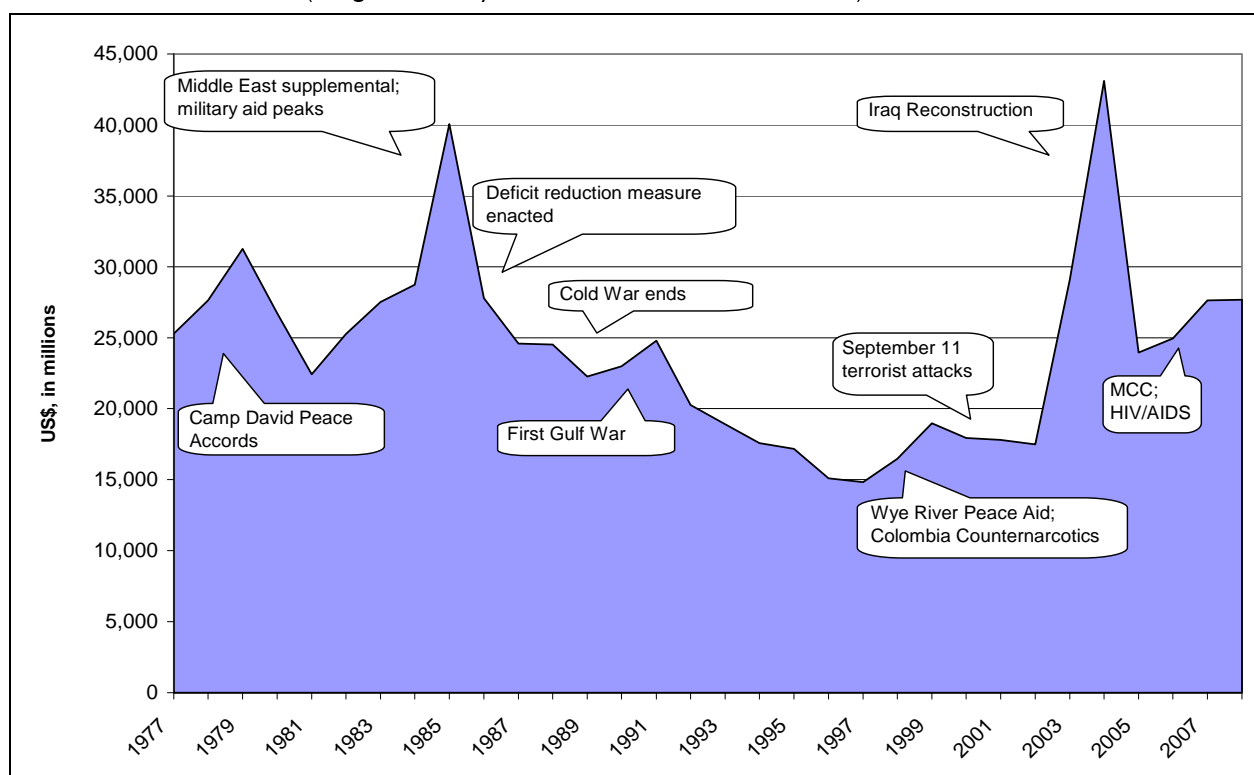
	FY97	FY98	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08
\$ Current	12.3	13.2	15.4	16.4	14.9	16.5	23.7	39.0 (20.6)	22.3	23.2	26.08	27.7
\$ Constant 2008	16.3	17.3	19.7	20.3	17.9	19.5	27.4	44.0 (23.2)	24.3	24.5	26.81	27.7

**Source:** Annual appropriations acts; CRS calculations.

**Notes:** FY1999 excludes \$17.861 billion for the IMF because it is offset by a U.S. claim on the IMF that is liquid and interest bearing, resulting in no outlays from the U.S. treasury. The FY2004 figure in parenthesis shows the total without Iraq reconstruction funds to illustrate the significant but anomalous impact of those funds on total foreign assistance spending.

**Figure 9. Foreign Aid Funding Trends, FY1977-FY2008**

(budget authority, in millions of constant 2008 US\$)

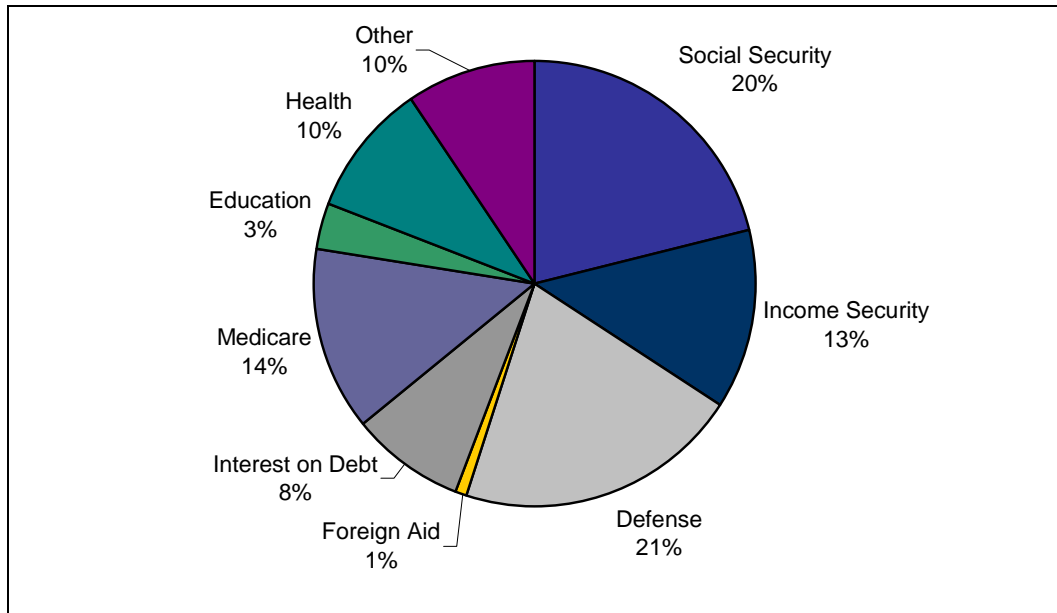


**Source:** Budget of the United States Government: Historic Tables Fiscal Year 2009, Table 5.1: Budget Authority by Function and Subfunction, 1976-2013; appropriations acts for FY2008.

## How Does Foreign Aid Compare with Other Federal Programs?

Foreign aid spending is a relatively small component of the U.S. federal budget. As part of the estimated total amount spent in FY2008 on all discretionary programs (those controlled by Congress through appropriations), entitlements, and other mandatory activities, foreign aid outlays represent an estimated 1%. This figure is in line with typical foreign aid outlay amounts, which have generally equaled slightly less than 1% of total U.S. spending. **Figure 10** compares foreign aid outlays for FY2008 with those of other major U.S. government spending categories.



**Figure 10. U.S. Budget Outlays, FY2008**

**Source:** Budget of the United States Government: Historic Tables Fiscal Year 2009, Table 3.2: Outlays by Function and Subfunction, FY2008 Estimates.

## How Much of Foreign Aid Dollars Are Spent on U.S. Goods?

Most U.S. foreign aid is used to procure U.S. goods and services, although amounts of aid coming back to the United States differ by program. No exact figure is available due to difficulties in tracking procurement item by item, but some general estimates are possible for individual programs, though these may vary from year to year.

In FY2008, roughly 87%, or \$4.1 billion, of military aid financing was used to procure U.S. military equipment and training. The remaining 13%, \$614 million, was allocated to Israel for procurement within that country.

Food assistance commodities are purchased wholly in the United States, and most expenditures for shipping those commodities to recipient countries go entirely to U.S. freight companies. Under current law,<sup>14</sup> three-fourths of all food aid must be shipped by U.S. carriers. On this basis, a rough estimate suggests that more than 90%—or nearly \$1.85 billion in FY2008—of food aid expenditures were spent in the United States.

Because U.S. contributions to multilateral institutions are mixed with funds from other nations and the bulk of the program is financed with borrowed funds rather than direct government contributions, the U.S. share of procurement financed by MDBs may even exceed the amount of the U.S. contribution, as occurred in 2003. However, no recent figures showing procurement on a nation-by-nation basis are available.

<sup>14</sup> The Cargo Preference Act, P.L. 83-644, August 26, 1954.

Although a small proportion of funding for bilateral development and political/strategic assistance programs results in transfers of U.S. dollars, the services of experts and project management personnel and much of the required equipment is procured from the United States. Section 604 of the Foreign Assistance Act of 1961 (P.L. 87-195; 22 U.S.C. §2151)—often referred to as the “Buy America” provision—limits the expenditure of foreign assistance funds outside the United States, though subsequent amending legislation has loosened the restriction to allow for more expenditures within poor countries receiving assistance. Countries receiving MCC Compact grants are required to follow a modified version of World Bank procurement guidelines that call for open competition, excepting only specific countries subject to sanctions under U.S. law.

In addition to the direct benefits derived from aid dollars used for American goods and services, many argue that the foreign aid program brings significant indirect financial benefits to the United States. First, it is argued that provision of military equipment through the military assistance program and food commodities through P.L.480, the Food For Peace program, helps to develop future, strictly commercial, markets for those products. Second, as countries develop economically, they are in a position to purchase more goods from abroad and the United States benefits as a trade partner.

The use of “tied” aid—which is conditional on procurement of goods and services from the donor-country or a limited group of designated countries—has become increasingly disfavored in the international community. Critics of such conditional aid argue that it inhibits a sense of responsibility and support on the part of recipient governments for development projects and impedes the integration of the host country into the global economy.<sup>15</sup> Studies have shown that tying aid increases the costs of goods and services by 15%-30% on average, and up to 40% for food aid, reducing the overall effectiveness of aid flows.<sup>16</sup> Reflecting donor concerns about these findings, the average percent of official bilateral development assistance from donor countries that was tied fell from 70% in 1985 to 15% in 2007. Meanwhile, 31% of U.S. bilateral development assistance in 2007 was tied, down sharply from 55% in 2006.<sup>17</sup> This is the highest level of tied aid among donor countries, and widely believed to reflect policy makers’ perception that maintaining public and political support for foreign aid programs requires ensuring direct economic benefit to the United States. The United States joined other donor nations in committing to reduce tied aid in the Paris Declaration on Aid Effectiveness in March 2005, but the Declaration did not set target goals on tied aid as it did for the other indicators of progress identified in the document.<sup>18</sup>

## **How Does the United States Rank as a Donor of Foreign Aid?**

For decades, the United States ranked first among the developed countries in net disbursements of economic aid, or “Official Development Assistance (ODA)” as defined by the international donor

---

<sup>15</sup> OECD Report on The Developmental Effectiveness of Untied Aid, p.1, available at <http://www.oecd.org/dataoecd/5/22/41537529.pdf>.

<sup>16</sup> *Id.*, p.1

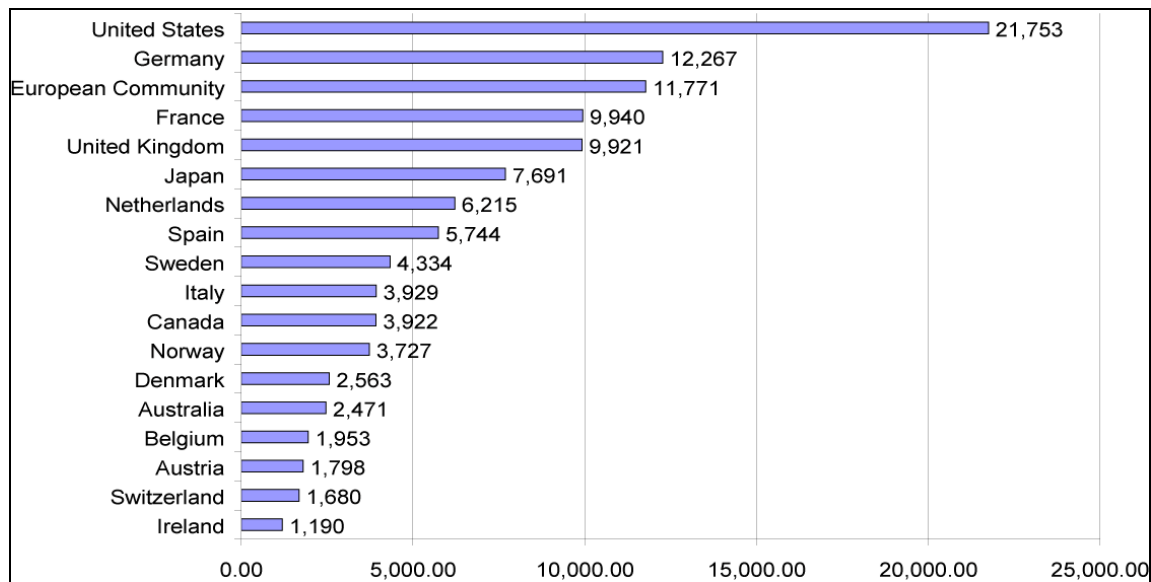
<sup>17</sup> see <http://stats.oecd.org/wbos/Index.aspx?DatasetCode=TABLE1>; 2008 DAC Reporting Documents, Table 7B, provided by Bill McCormick at USAID.

<sup>18</sup> Paris Declaration on Aid Effectiveness: Ownership, Harmonization, Alignment, Results and Mutual Accountability, a product of the High Level Forum on Aid Effectiveness; Paris, France (March 2, 2005).

community.<sup>19</sup> In 1989, for the first time, Japan supplanted the United States as the largest donor. The United States was again the leading donor from 1990 to 1992, and fluctuated between a second and third position from 1993 to 2000. In 2001, it again became the largest contributor and remained in that position in 2007, the most recent year for which data is available, with a commitment of \$21.75 billion. Germany followed at \$12.3 billion, the European Community at \$11.8 billion, and both France and the United Kingdom at \$9.9 billion. Japan, which has significantly scaled back its foreign aid program in recent years, gave \$7.7 billion in 2007. As a group, the 22 members of the Organization for Economic Cooperation and Development (OECD)'s Development Assistance Committee (DAC), representing the world's leading providers of economic aid, transferred \$103.6 billion in 2007, down slightly in current dollars from \$104.4 billion in 2006.

**Figure 11. Economic Aid From Major Donors, 2007**

(in millions, US\$)

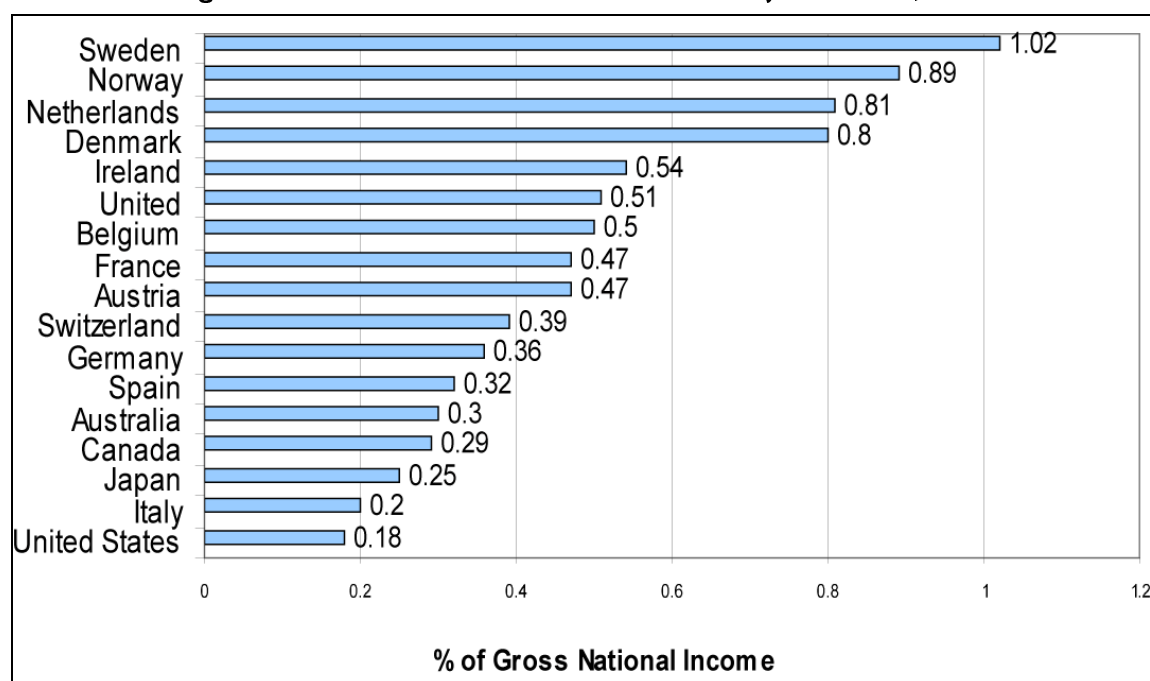


Source: OECD/DAC.

Even as it leads in dollar amounts of aid flows to developing countries, the United States is often among the last when aid transfers by developed country donors are calculated as a percent of gross national income (GNI).<sup>20</sup> In 2007, as has been the case since 1993, the United States ranked last among major donors at 0.18% of GNI. Sweden ranked first at 1.02% of GNI, while the United Kingdom dispensed 0.51%, France 0.47%, and Germany 0.26%. The average for all DAC members in 2007 was 0.48%, up from .25% in 2003.

<sup>19</sup> The OECD Glossary of Statistical Terms defines ODA as “flows of official financing administered with the promotion of economic development and welfare of developing countries as the main objective, and which are concessional in character with a grant element of at least 25%. By convention, ODA flows comprise contributions of donor government agencies, at all levels, to developing countries and to multilateral institutions.” ODA does not include military assistance.

<sup>20</sup> Gross National Income (GNI) comprises GDP together with income received from other countries (notably interest and dividends), less similar payments made to other countries.

**Figure 12. Economic Aid as % of GNI for Major Donors, 2007**

Source: OECD/DAC.

## Delivery of Foreign Assistance

How and in what form assistance reaches an aid recipient can vary widely, depending on the type of aid program, the objective of the assistance, and the agency responsible for providing the aid.

### What Executive Branch Agencies Administer Foreign Aid Programs?

#### U.S. Agency for International Development

For over 40 years, the bulk of the U.S. bilateral economic aid program has been administered by the U.S. Agency for International Development (USAID). Created by an executive branch reorganization in 1961, USAID became an independent agency in 1999, although its Administrator reports to and serves under the “direct authority and foreign policy guidance” of the Secretary of State. USAID is directly responsible for most bilateral development assistance and disaster relief programs, including economic growth, global health, many democracy programs, and Title II of P.L. 480 (Food for Peace program) food assistance. These programs amounted to \$5.138 billion in FY2008. In conjunction with the State Department, USAID manages the ESF, SEED, and FSA programs, amounting to \$6.05 billion in FY2008.<sup>21</sup> USAID’s staff in late 2008 totaled 7,291, of which only about 2,692 were U.S. citizen “direct hire”

<sup>21</sup> The State Department generally determines the policy on distribution of funds from these accounts, but the funds are appropriated and attributed to USAID when foreign assistance is reported by obligations.

employees. Almost three quarters of USAID staff—about 5,273—are U.S. citizen foreign service employees and foreign nationals working overseas in one of the 84 country missions, six regional offices, and three representational offices to oversee the implementation of hundreds of projects undertaken by thousands of private sector contractors, consultants, and non-governmental organizations.<sup>22</sup>

## **U.S. Department of State**

In addition to those programs jointly managed with USAID, the Department of State administers several aid programs directly. Individual offices at State oversee activities dealing with international narcotics control and law enforcement, terrorism, weapons proliferation, non-U.N. peacekeeping operations, refugee relief, and voluntary support for a range of international organizations such as UNICEF. In FY2008, appropriations for these State Department-administered bilateral aid programs totaled about \$2.4 billion. State is also home to the Office of the Global AIDS Coordinator, created to manage President Bush's Global AIDS Initiative, which administered \$4.6 billion in FY2008 for international HIV/AIDS, tuberculosis, and malaria programs. The funds are channeled through USAID, the Department of Health and Human Services, the Centers for Disease Control, the National Institutes for Health, and other implementing agencies. In addition, State has policy authority, together with the Department of Defense, over the FMF and IMET programs, which are implemented by the DOD's Defense Security Cooperation Agency.

The Director of Foreign Assistance (DFA), a State Department position created in 2006, is charged with coordinating U.S. assistance programs. Until January 2009 when a separate acting DFA was appointed, the DFA served concurrently as the Administrator of USAID. The DFA has authority over most State Department and USAID programs. Though the DFA is also tasked with providing "guidance" to other agencies that manage foreign aid activities, major foreign aid programs, such as the Millennium Challenge Account and the Office of the Global AIDS Coordinator, have remained outside of the DFA's authority.

## **U.S. Department of Defense**

Most military assistance, including Foreign Military Financing (FMF) and International Military Education and Training (IMET), is administered by the Department of Defense in conjunction with the Bureau of Political-Military Affairs in the State Department. The Defense Security Cooperation Agency is the primary DOD body responsible for Foreign Military Financing and related training programs. DOD has also been involved in an expanded range of foreign assistance activities in recent years, providing development assistance to Iraq and Afghanistan through the Commander's Emergency Response Program (CERP) and the Iraq Relief and Reconstruction Fund, and elsewhere through the Defense Health Program, counter-drug activities, and humanitarian and disaster relief activities. While DOD managed about \$4.9 billion in traditional military aid in FY2008, other funds appropriated through defense appropriations legislation, and not counted as foreign assistance for the purposes of this report, have been used to carry out state-building development activities, usually in the context of training exercises and military operations, that were once the exclusive jurisdiction of civilian aid agencies.

---

<sup>22</sup> Semi-Annual USAID Worldwide Staffing Pattern Report, data as of November 30, 2008, Table 1.

## **U.S. Department of the Treasury**

The Treasury Department administers three foreign aid programs. U.S. contributions to and participation in the World Bank and other multilateral development institutions are managed by Treasury's Under Secretary for International Affairs. Presidentially appointed U.S. executive directors at each of the banks represent the United States' point of view. Treasury also deals with foreign debt reduction issues and programs, including U.S. participation in the Highly Indebted Poor Countries (HIPC) initiative. The Treasury Department further manages a technical assistance program, offering temporary financial advisors to countries implementing major economic reforms and combating terrorist finance activity. For FY2008, funding for activities falling under the Treasury Department's jurisdiction totaled about \$1.3 billion.

## **Millennium Challenge Corporation**

A new foreign aid agency was created in February 2004 to administer the Millennium Challenge Account (MCA) initiative. The account is intended to concentrate significantly higher amounts of U.S. resources in a few low- and low-middle income countries that have demonstrated a strong commitment to political, economic, and social reforms. A significant feature of the MCA program is that recipient countries formulate, propose and implement mutually-agreed multi-year U.S.-funded projects known as Compacts. Compacts in the 18 recipient countries selected to date have emphasized construction of infrastructure. The Millennium Challenge Corporation (MCC) is charged with managing this results-oriented, competitive foreign aid delivery mechanism. The MCC is a U.S. government corporation, headed by a Chief Executive Officer who reports to a Board of Directors chaired by the Secretary of State. The Corporation maintains a relatively small staff of about 300. The MCC managed a budget of \$1.5 billion in FY2008.

## **Other Agencies**

Other government agencies that play a role in implementing foreign aid programs include the Peace Corps, the Trade and Development Agency (TDA), and the Overseas Private Investment Corporation (OPIC). The Peace Corps, an autonomous agency with an FY2008 budget of \$331 million, supports nearly 8,000 volunteers in 76 countries. Peace Corps volunteers work in a wide range of educational, health, and community development projects. TDA finances trade missions and feasibility studies for private sector projects likely to generate U.S. exports. Its budget in FY2008 was \$50 million. OPIC provides political risk insurance to U.S. companies investing in developing countries and the new democracies and finances projects through loans and guarantees. It also supports investment missions and provides other pre-investment information services. Its insurance activities have been self-sustaining, but credit reform rules require a relatively small appropriation to back up U.S. guarantees and for administrative expenses. For FY2008, Congress appropriated \$71 million to OPIC.

Two independent agencies, the Inter-American Foundation and the African Development Foundation, also administer U.S. foreign aid. Both organizations emphasize grassroots development by providing financial support to local private organizations in developing countries. For FY2008, Congress appropriated \$21 million and \$29 million, respectively, to the Inter-American Foundation and the African Development Foundation.

## **What Are the Different Forms in Which Assistance Is Provided?**

Most U.S. assistance is now provided as a grant (gift) rather than a loan, but the forms a grant may take are diverse.

### **Cash Transfers**

Although it is the exception rather than the rule, some countries receive aid in the form of a cash grant to the government. Dollars provided in this way support a government's balance-of-payments situation, enabling it to purchase more U.S. goods, service its debt, or devote more domestic revenues to developmental or other purposes. Cash transfers have been made as a reward to countries that have supported the United States in its war on terrorism (Turkey and Jordan in FY2004), to provide political and strategic support (both Egypt and Israel annually for decades after the 1979 Camp David Peace Accord), and in exchange for undertaking difficult political and economic reforms. Countries receiving cash transfers in 2007 were Pakistan (\$200 million), Egypt (\$284 million), Jordan (\$116 million), and Lebanon (\$250 million).

### **Equipment and Commodities**

Assistance may be provided in the form of food commodities, weapons systems, or equipment such as generators or computers. Food aid may be provided directly to meet humanitarian needs or to encourage attendance at a maternal/child health care program. Weapons supplied under the military assistance program may include training in their use. Equipment and commodities provided under development assistance are usually integrated with other forms of aid to meet objectives in a particular social or economic sector. For instance, textbooks have been provided in both Afghanistan and Iraq as part of a broader effort to reform the educational sector and train teachers. Computers may be offered in conjunction with training and expertise to fledgling microcredit institutions. In recent years, antiretroviral drugs (ARVs) provided through PEPFAR programs to individuals living with HIV/AIDS have been a significant component of commodity-based assistance.

### **Economic Infrastructure**

Although once a significant portion of U.S. assistance programs, construction of economic infrastructure—roads, irrigation systems, electric power facilities, etc.—was rarely provided after the 1970s. Because of the substantial expense of these projects, they were to be found only in large assistance programs, such as that for Egypt in the 1980s and 1990s, where the United States constructed major urban water and sanitation systems. In the past decade, however, the aid programs in Iraq and Afghanistan have supported the building of schools, health clinics, roads, power plants and irrigation systems. In Iraq alone, more than \$10 billion has gone to economic infrastructure. Economic infrastructure is now also supported by U.S. assistance in a wider range of developing countries through the Millennium Challenge Account. In this case, recipient countries design their own assistance programs, most of which, to date, include an infrastructure component.

## **Training**

Transfer of know-how is a significant part of most assistance programs. The International Military and Educational Training Program (IMET) provides training to officers of the military forces of allied and friendly nations. Tens of thousands of citizens of aid recipient countries receive short-term technical training or longer term degree training annually under USAID's participant training program. More than one-third of Peace Corps volunteers are English, math, and science teachers. Other programs provide law enforcement personnel with anti-narcotics or anti-terrorism training.

## **Expertise**

Many assistance programs provide expert advice to government and private sector organizations. The Treasury Department, USAID, and U.S.-funded multilateral banks all place specialists in host government ministries to make recommendations on policy reforms in a wide variety of sectors. USAID has often placed experts in private sector business and civic organizations to help strengthen them in their formative years or while indigenous staff are being trained. While most of these experts are U.S. nationals, in Russia, USAID has funded the development of locally-staffed political and economic think tanks to offer policy options to that government.

## **Small Grants**

USAID, the Inter-American Foundation, and the African Development Foundation often provide aid in the form of grants that may then be used by U.S. or indigenous organizations to further their varied developmental purposes. For instance, grants are sometimes provided to microcredit organizations which in turn provide loans to microentrepreneurs. Through the USAID-funded Eurasia Foundation, grants are provided to help strengthen the role of former Soviet Union non-governmental organizations in democratization and private enterprise development.

## **How Much Aid Is Provided as Loans and How Much as Grants? What Are Some Types of Loans? Have Loans Been Repaid? Why Is Repayment of Some Loans Forgiven?**

Under the Foreign Assistance Act of 1961, the President may determine the terms and conditions under which most forms of assistance are provided. In general, the financial condition of a country—its ability to meet repayment obligations—has been an important criterion of the decision to provide a loan or grant. Some programs—such as humanitarian and disaster relief programs—were designed from the beginning to be entirely grant activities.

## **Loan/Grant Composition**

During the past two decades, nearly all foreign aid—military as well as economic—has been provided in grant form. Between 1962 and 1988, loans represented 32% of total military and economic assistance. This figure declined substantially beginning in the mid-1980s, until by FY2001, loans represented less than 1% of total aid appropriations. The de-emphasis on loan programs came largely in response to the debt problems of developing countries. Both Congress



and the executive branch supported the view that foreign aid should not add to the already existing debt burden carried by these countries.

## **Types of Loans**

Although a small proportion of total aid, there are several significant USAID-managed programs that provide direct loans or guarantee loans. Under the Israeli Loan Guarantee Program, the United States has guaranteed repayment of loans made by commercial sources to support the costs of immigrants settling in Israel from other countries. Other guarantee programs support low-income housing and community development programs of developing countries and microenterprise and small business credit programs. A Development Credit Authority in which risk is shared with a private sector bank can be used to support any development sector.

## **Loan Repayment**

Between 1946 and 2006, the United States loaned more than \$108 billion in foreign aid, and while most foreign aid is now provided through grants, \$22.6 billion in loans to foreign governments remained outstanding in 2007.<sup>23</sup> Most recipients of U.S. loans remain current or only slightly in arrears on debt payments. For nearly three decades, Section 620q of the Foreign Assistance Act (the Brooke amendment) has prohibited new assistance to any country that falls more than one year past due in servicing its debt obligations to the United States. Argentina, Democratic Republic of the Congo, Somalia, Sudan, Syria, and Zimbabwe are countries to which the provision applies as of October 2008.<sup>24</sup> The President may waive application of this prohibition if he determines it is in the national interest.

## **Debt Forgiveness**

The United States has also forgiven debts owed by foreign governments and encouraged, with mixed success, other foreign aid donors and international financial institutions to do likewise. In total, the United States forgave or reduced about \$24.3 billion owed by foreign governments between 1990 and 2007.<sup>25</sup>

In some cases, the decision to forgive foreign aid debts has been based largely on economic grounds as another means to support development efforts by heavily indebted, but reform-minded, countries. The United States has been one of the strongest supporters of the Heavily Indebted Poor Country (HIPC) Initiative. This initiative, which began in the late 1990s and continues in 2008, includes for the first time participation of the World Bank, the International Monetary Fund, and other international financial institutions in a comprehensive debt workout framework for the world's poorest and most debt-strapped nations.

The largest and most hotly debated debt forgiveness actions have been implemented for much broader foreign policy reasons with a more strategic purpose. Poland, during its transition from a

---

<sup>23</sup> U.S. Overseas Loans and Grants (Greenbook) 2006; U.S. Department of the Treasury and the Office of Management and Budget. *U.S. Government Foreign Credit Exposure as of December 31, 2006*, part 1, p. 20.

<sup>24</sup> Information provided by Department of State, F Bureau, 1/6/2009.

<sup>25</sup> U.S. Department of the Treasury and the Office of Management and Budget. *U.S. Government Foreign Credit Exposure as of December 31, 2006*, part 1, p. 9.

communist system and centrally-planned economy (1990—\$2.46 billion), Egypt, for making peace with Israel and helping maintain the Arab coalition during the Persian Gulf War (1990—\$7 billion), and Jordan, after signing a peace accord with Israel (1994—\$700 million), are examples. Similarly, the United States forgave about \$4.1 billion in outstanding Saddam-era Iraqi debt in November 2004, and helped negotiate an 80% reduction in Iraq's debt to Paris Club members later that month.<sup>26</sup>

## **What Are the Roles of Government and Private Sector in Development and Humanitarian Aid Delivery?**

Most development and humanitarian assistance activities are not directly implemented by U.S. government personnel but by private sector entities. Generally speaking, government foreign service and civil servants determine the direction and priorities of the aid program, allocate funds while keeping within legislative requirements, ensure that appropriate projects are in place to meet aid objectives, select implementors, and monitor the implementation of those projects for effectiveness and financial accountability. At one time, USAID professionals played a larger role in implementing aid programs, but the affect of budget cuts on personnel and the emergence of private sector alternatives over the past thirty years has led to a shift in responsibilities.<sup>27</sup>

Private sector aid implementors, usually employed as contractors or grantees, may be individual personal service contractors, consulting firms, non-profit non-government organizations (NGOs), universities, or charitable private voluntary organizations (PVOs). These carry out the vast array of aid projects in all sectors.

## **Congress and Foreign Aid**

### **What Congressional Committees Oversee Foreign Aid Programs?**

Numerous congressional authorizing committees and appropriations subcommittees maintain responsibility for U.S. foreign assistance. Several committees have responsibility for *authorizing* legislation establishing programs and policy and for conducting oversight of foreign aid programs. In the Senate, the Committee on Foreign Relations, and in the House, the Committee on Foreign Affairs, have primary jurisdiction over bilateral development assistance, ESF and other economic security assistance, military assistance, and international organizations. Food aid, primarily the responsibility of the Agriculture Committees in both bodies, is shared with the Foreign Affairs Committee in the House. U.S. contributions to multilateral development banks are within the jurisdiction of the Senate Foreign Relations Committee and the House Financial Services Committee.

Traditionally, foreign aid *appropriations* are provided entirely through subcommittees of the Appropriations panels in both the House and Senate. Most foreign aid funds fall under the jurisdiction of the State-Foreign Operations Subcommittees, with food assistance appropriated by

---

<sup>26</sup> For more on debt relief for Iraq, see CRS Report RL33376, *Iraq's Debt Relief: Procedure and Potential Implications for International Debt Relief*, by Martin A. Weiss.

<sup>27</sup> Currently there are about 2,400 U.S. direct hire personnel at USAID, down from 3,406 in 1992 and 8,600 in 1962.

the Agriculture Subcommittees. As noted earlier, however, a growing segment of military activities that could be categorized as foreign aid have been appropriated through the Defense Subcommittees in recent years.

## **What Are the Major Foreign Aid Legislative Vehicles?**

The most significant *permanent* foreign aid *authorization* laws are the Foreign Assistance Act of 1961, covering most bilateral economic and security assistance programs (P.L. 87-195; 22 U.S.C. 2151), the Arms Export Control Act (1976), authorizing military sales and financing (P.L. 90-629; 22 U.S.C. 2751), the Agricultural Trade Development and Assistance Act of 1954 (P.L. 480), covering food aid (P.L. 83-480; 7 U.S.C. 1691), and the Bretton Woods Agreement Act (1945) authorizing U.S. participation in multilateral development banks (P.L. 79-171; 22 U.S.C. 286).<sup>28</sup> In the past, Congress usually scheduled debates every two years on omnibus foreign aid bills that amended these permanent authorization measures. Although foreign aid authorizing bills have passed the House or Senate, or both, on numerous occasions, Congress has not enacted into law a comprehensive foreign assistance authorization measure since 1985. Instead, foreign aid bills have frequently stalled at some point in the debate because of controversial issues, a tight legislative calendar, or executive-legislative foreign policy disputes.<sup>29</sup>

In lieu of approving a broad authorization bill, Congress has on occasion authorized major foreign assistance initiatives for specific regions, countries, or aid sectors in stand-alone legislation or within an appropriation bill. Among these are the SEED Act of 1989 (P.L. 101-179; 22 U.S.C. 5401), the FREEDOM Support Act of 1992 (P.L. 102-511; 22 U.S.C. 5801), the United States Leadership Against HIV/AIDS, Tuberculosis, and Malaria Act of 2003 (P.L. 108-25; 22 U.S.C. 7601), the Tom Lantos and Henry J. Hyde United States Global Leadership Against HIV/AIDS, Tuberculosis, and Malaria Reauthorization Act of 2008 (P.L. 110-293), and the Millennium Challenge Act of 2003 (Division D, Title VI of P.L. 108-199).

In the absence of regular enactment of foreign aid *authorization* bills, *appropriation* measures considered annually within the State-Foreign Operations spending bill have assumed greater significance for Congress in influencing U.S. foreign aid policy. Not only do appropriations bills set spending levels each year for nearly every foreign assistance account, State-Foreign Operations appropriations also incorporate new policy initiatives that would otherwise be debated and enacted as part of authorizing legislation.

---

<sup>28</sup> Separate permanent authorizations exist for other specific foreign aid programs such as the Peace Corps, the Inter-American Foundation, and the African Development Foundation.

<sup>29</sup> A few foreign aid programs that are authorized in other legislation have received more regular legislative review. Authorizing legislation for voluntary contributions to international organizations and refugee programs, for example, are usually contained in omnibus Foreign Relations Authorization measures that also address State Department and U.S. Information Agency issues. Food aid and amendments to P.L. 480 are usually considered in the omnibus “farm bill” that Congress re-authorizes every five years.

## Appendix A. Data Tables

**Table A-1. Aid Program Composition, FY2008**

Aid Program	\$s (billions)	% of total aid
Bilateral Development	\$10.298	35.5%
Humanitarian	\$4.169	14.4%
Multilateral Development	\$1.594	5.5%
Economic Political/Security	\$7.840	27.1%
Military	\$5.068	17.5%
TOTAL	\$28.969	100.0%

**Source:** House and Senate Appropriations Committees and CRS calculations.

**Note:** Based on appropriated levels in the 151 and 152 subfunction accounts. Table omits operational expense accounts.

**Table A-2. Program Composition, FY1995-FY2008**

(current \$ in billions, and as % of total aid)

Fiscal Year	Development/ Humanitarian		Economic Political/Security		Military		Total
1995	\$6.539	47.6%	\$3.636	26.4%	\$3.572	26.0%	\$13.747
1996	\$5.096	41.4%	\$3.689	29.9%	\$3.536	28.7%	\$12.321
1997	\$4.969	41.0%	\$3.827	31.6%	\$3.333	27.5%	\$12.129
1998	\$5.575	42.8%	\$4.038	31.0%	\$3.425	26.3%	\$13.038
1999	\$6.433	42.1%	\$5.352	35.0%	\$3.507	22.9%	\$15.292
2000	\$5.331	33.1%	\$5.780	35.9%	\$4.998	31.0%	\$16.109
2001	\$6.365	43.8%	\$4.430	30.5%	\$3.753	25.8%	\$14.548
2002	\$6.649	41.3%	\$5.557	34.6%	\$3.875	24.1%	\$16.081
2003	\$8.361	34.1%	\$9.737	39.7%	\$6.399	26.1%	\$24.497
2004	\$9.520	24.6%	\$19.310	49.9%	\$9.849	25.5%	\$38.679
2004 (w/o Iraq)	\$9.520	47.0%	\$5.873	29.0%	\$4.849	24.0%	\$20.242
2005	\$11.531	47.9%	\$7.027	29.2%	\$5.502	22.9%	\$24.060
2006	\$12.087	50.6%	\$6.891	28.9%	\$4.902	20.5%	\$23.880
2007	\$13.784	50.9%	\$7.957	29.4%	\$5.365	19.8%	\$27.106
2008	\$16.061	55.4%	\$7.840	27.1%	\$5.068	17.5%	\$28.969

**Source:** USAID, House and Senate Appropriations Committees, and CRS calculations.

**Notes:** Based on appropriated levels in the 151 and 152 subfunction accounts. FY2004 without Iraq subtracts \$18.4 billion in Iraq Relief and Reconstruction Funds from political-strategic aid—\$5 billion from military aid and the rest from political-strategic aid. Table omits operational expense accounts.

**Table A-3. Foreign Aid Funding Trends**

<b>Fiscal Year</b>	<b>Billions of current US\$</b>	<b>Billions of constant 2008 \$s</b>	<b>As % of GDP</b>	<b>As % of total discretionary budget authority</b>
1946	\$3.08	\$28.38	1.38%	—
1947	\$6.71	\$56.07	2.75%	—
1948	\$3.18	\$24.26	1.18%	—
1949	\$8.30	\$61.27	3.10%	—
1950	\$5.97	\$48.72	2.03%	—
1951	\$7.61	\$57.12	2.24%	—
1952	\$6.81	\$50.39	1.90%	—
1953	\$4.98	\$35.57	1.31%	—
1954	\$4.77	\$34.76	1.25%	—
1955	\$4.10	\$30.09	0.99%	—
1956	\$4.85	\$33.90	1.11%	—
1957	\$4.87	\$34.07	1.06%	—
1958	\$4.01	\$27.33	0.86%	—
1959	\$5.07	\$34.32	1.00%	—
1960	\$5.22	\$34.61	0.99%	—
1961	\$5.48	\$35.89	1.01%	—
1962	\$6.53	\$42.50	1.12%	—
1963	\$6.38	\$40.77	1.03%	—
1964	\$5.27	\$33.21	0.79%	—
1965	\$5.42	\$33.77	0.75%	—
1966	\$6.90	\$41.75	0.88%	—
1967	\$6.34	\$37.24	0.76%	—
1968	\$6.76	\$38.17	0.74%	—
1969	\$6.64	\$35.92	0.67%	—
1970	\$6.57	\$33.93	0.63%	—
1971	\$7.84	\$38.72	0.70%	—
1972	\$9.02	\$43.32	0.73%	—
1973	\$9.45	\$42.62	0.68%	—
1974	\$8.50	\$34.97	0.57%	—
1975	\$6.91	\$26.20	0.42%	—
1976 <sup>a</sup>	\$9.11	\$32.65	0.47%	—
1977	\$7.78	\$26.24	0.34%	3.15%
1978	\$9.01	\$28.42	0.35%	3.47%
1979	\$13.85	\$39.87	0.50%	5.02%
1980	\$9.69	\$25.10	0.31%	3.11%
1981	\$10.54	\$24.91	0.32%	3.09%
1982	\$12.32	\$27.46	0.35%	3.46%
1983	\$14.20	\$30.41	0.36%	3.66%
1984	\$15.52	\$31.85	0.37%	3.66%
1985	\$18.13	\$35.91	0.41%	3.97%
1986	\$16.62	\$32.30	0.35%	3.79%
1987	\$14.80	\$27.76	0.29%	3.32%
1988	\$13.97	\$22.85	0.28%	3.08%

<b>Fiscal Year</b>	<b>Billions of current US\$</b>	<b>Billions of constant 2008 \$s</b>	<b>As % of GDP</b>	<b>As % of total discretionary budget authority</b>
1989	\$14.85	\$25.52	0.26%	3.15%
1990	\$16.02	\$26.13	0.27%	3.22%
1991	\$17.05	\$26.67	0.27%	3.12%
1992	\$16.43	\$24.95	0.25%	3.09%
1993	\$17.91	\$26.41	0.25%	3.42%
1994	\$17.04	\$24.50	0.23%	3.32%
1995	\$16.14	\$22.58	0.21%	3.22%
1996	\$14.68	\$19.94	0.18%	2.93%
1997	\$13.66	\$18.15	0.16%	2.67%
1998	\$14.69	\$19.21	0.16%	2.77%
1999	\$17.55	\$22.44	0.18%	3.02%
2000	\$16.39	\$20.27	0.16%	2.80%
2001	\$15.33	\$18.46	0.15%	2.31%
2002	\$17.93	\$21.24	0.16%	2.44%
2003	\$22.40	\$25.93	0.19%	2.64%
2004	\$29.69	\$33.50	0.24%	3.27%
2005	\$30.17	\$32.92	0.23%	3.06%
2006	\$27.26	\$28.80	0.20%	2.73%
2007	\$26.08	\$26.81	0.20%	2.59%
2008	\$27.68	\$27.68	0.19%	2.40%

**Source:** USAID, Office of Management and Budget, annual appropriations legislation and CRS calculations.

**Notes:** The data in this table represent obligated funds reported in the USAID Greenbook up through FY2006 (FY2007-FY2008 are appropriations), but the Greenbook accounts included in the total have been adjusted by CRS to allow for accurate comparison over time. CRS has attempted to include only programs that correlate with the traditional foreign assistance budget accounts, excluding, for example, such Greenbook additions as State Department accounts for embassy security and Foreign Service retirement, Cooperative Threat Reduction funds to the former Soviet Union, and certain funds administered by the Department of Defense in Iraq and Afghanistan.

FY2008 % of GDP based on 3<sup>rd</sup> Quarter reports.

- a. FY1976 includes both regular FY76 and transition quarter (TQ)funding, and the GDP calculation is based on the average FY76 and TQ GDP.

## Appendix B. Common Foreign Assistance Acronyms and Abbreviations

DA	Development Assistance
DOD	Department of Defense
ERMA	Emergency Refugee and Migration Assistance
ESF	Economic Support Fund
FMF	Foreign Military Financing
FSA	FREEDOM (Freedom for Russia and Emerging Eurasian Democracies and Open Markets) Support Act of 1992
GDP	Gross Domestic Product
GNI	Gross National Income
HIPC	Heavily Indebted Poor Country
IBRD	World Bank, International Bank for Reconstruction and Development
IDA	World Bank, International Development Association
IDA	International Disaster Assistance
IMET	International Military Education and Training
IMF	International Monetary Fund
INCLE	International Narcotics Control and Law Enforcement
MCC	Millennium Challenge Corporation
MDBs	Multilateral Development Banks
MRA	Migration and Refugees Assistance
NADR	Non-Proliferation, Anti-Terrorism, Demining and Related Programs
NGO	Non-Governmental Organization
ODA	Official Development Assistance
OECD	Organization for Economic Cooperation and Development
OFDA	Office of Foreign Disaster Assistance
OPIC	Overseas Private Investment Corporation
OTI	Office of Transition Initiatives
PEPFAR	President's Emergency Plan for AIDS Relief
P.L. 480	Food for Peace/Food Aid
PVO	Private Voluntary Organization
SEED	Support for East European Democracy Act of 1989
TDA	U.S. Trade and Development Agency
UNDP	United Nations Development Program
UNICEF	United Nations Children's Fund
USAID	U.S. Agency for International Development

## **Author Contact Information**

Curt Tarnoff  
Specialist in Foreign Affairs  
ctarnoff@crs.loc.gov, 7-7656

Marian L. Lawson  
Analyst in Foreign Assistance  
mlawson@crs.loc.gov, 7-4475